

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Japan: Takeshita puts action into words for US visit, Page 20

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World News Business Summary

Philippines postpone provincial elections

The Philippine Government postponed local elections in 10 of the country's 73 provinces amid fears of a bloody final week to a campaign that finally left 70 people dead. Elections will be held up to three weeks later in the 10 provinces. Page 4

British Government regroup its forces

The UK Government moved quickly to regroup its forces in the House of Lords and to make confident claims about its legislative plans following the resignation on Sunday of Viscount Whitlaw, deputy to Prime Minister Margaret Thatcher, on health grounds. Page 20, Back ground, Page 6

EC jurisdiction test

A crucial legal battle was set to begin in Luxembourg aimed at testing the jurisdiction of the EC outside the boundaries of the 12 member states. Page 2

Italian flight chaos

Italian air travellers suffered fresh chaos as a strike by Alitalia staff grounded nearly half the national airline's scheduled flights and a stoppage of traffic controllers disrupted flights in and out of Rome by foreign airlines.

Moscow eases curbs

Immigration into West Germany of ethnic Germans from the Soviet Union and Communist Europe rose sharply last year to 86,000, the highest since 1958. Page 3

Baltic negotiations

The Soviet and Swedish prime ministers opened talks in Stockholm and said they were hopeful of settling a 19-year-old dispute over territorial waters in the Baltic Sea.

US bases discussed

Greek and American negotiators began a second round of talks in Athens on the future of US military bases in Greece with Greece again making the talks with the issue of Cyprus and Greek rights in the Aegean. Page 3

Economists' plea

Some 72 Belgian economists published an appeal to the country's next government to give top priority to cutting unemployment now running at nearly 12 per cent of the workforce.

Peru seizes milk

Peruvian authorities, in a campaign against speculative hoarding, seized a local subsidiary of Swiss multinational Nestle almost \$45,000 and confiscated more than 3m tins of evaporated milk they said the company was hoarding.

Kampala bomb blast

A Libyan diplomat was killed and five people, including a French cultural attaché, were injured in Kampala in an explosion which a rebel group said was aimed at the Libyan "terrorist" presence in Uganda. Page 4

Iran accuses Iraq

Iran accused Iraq of firing chemical shells at Iranian positions on the northern war front and injuring several soldiers.

Arctic accord

US Secretary of State George Shultz and Canadian External Affairs Minister Joe Clark were poised to sign a new Arctic cooperation agreement. Page 4

Soviet poll plan

Plans for multiple-candidate elections to the Supreme Soviet were being considered, Tass said.

Activists detained

Two US human rights activists were removed by police from a Nairobi courtroom and detained for seven hours when they tried to watch an inquest on a man who died in police custody.

Sony to make rival VHS video recorders

SONY, Japanese electronics group, is to begin making VHS-format video recorders designed and developed by its rivals, alongside its own Betamax models.

STERLING DRUG, US pharmaceutical group, which faces a \$4.2bn hostile bid from F. Hoffmann-La Roche, is suing the Swiss drug company and its directors for allegedly breaking US disclosure and insider trading laws in its offer. Page 21

WALL STREET: The Dow Jones industrial average at 2pm was up 3.64 at 1314.95. Page 44

LONDON: The market moved up on Wall Street, rallying from a substantial mark-down in early dealings to close with a loss of only 13.2 on the FT-SE 100 index at 1,760.2. Page 40

TOKYO: The steep slide on Wall Street on Friday dragged down high-technology and other sectors in Tokyo yesterday. The Nikkei average closed 294.13 down at 22,578.43. Page 44

DOLLAR closed in London at DM1.6370 (DM1.6501); FFfr5.6250 (FFfr5.6725); Sfr1.3375 (Sfr1.3495); Y128.15 (Y129.05). Page 33

STERLING closed in London at \$E2.215 (\$E2.2077); DM2.9825 (DM2.9825); FFfr10.0650 (FFfr10.07); Sfr2.4375 (Sfr2.4375); Y233.50 (Y233.25). Page 33

EMEAET, US industrial group, has launched a \$600m hostile takeover offer for Stannadyne, manufacturer of precision machine parts for the plumbing and automotive sectors. Page 21

TELEPHONE, Los Angeles-based industrial holding company, increased fourth-quarter profits to \$168.8m from \$47m a year earlier, largely due to the sale of its stake in Kluge. Page 21

RENAULT, French state-owned car group, is negotiating the sale of its car rental subsidiary Europcar to Compagnie Internationale de Wagons-Lits, Belgian-based railway sleeping car company. Page 22

SALES of Japanese agencies by foreign investors rose 60 per cent last year to a record ¥7,188.7bn (\$55.4bn), mainly due to a rush of sales after the October stock market crash. Page 24

AN IRANIAN delegation is visiting Tokyo for unofficial talks with the Japanese Government and oil company representatives following reports that Iranian oil exports to Japan would be cut by 33 per cent this year.

BLACKWOOD HODGE, major UK distributor of heavy machinery equipment, is to pay up to \$18.5m for Florida-based Linder Industrial Machinery Company, its fourth US acquisition in just over a year. Page 23

CIM INTERNATIONAL, UK project management company, is negotiating to build a vegetable canning plant in China's Hubei province which could produce \$50m (\$145m) in counter-trade business over the next five years. Page 5

ELLEN & BERARD, UK chemical distributor group, increased profits 24 per cent in the third quarter to October 31, helped by a 32 per cent increase in US sales. Page 23

NIGERIA is negotiating a \$22.5m (\$40.5m) BOG credit with UK merchant bank Morgan Grenfell to finance completion of a British contract to provide water supply to 49 areas in Niger State.

CHASE MANHATTAN Securities, London trading arm of Chase Manhattan Corporation, has cut 10 jobs in its fixed income department, reducing total staff to 101. Page 24

TESCO, UK supermarket chain, is withdrawing from joint national pay bargaining with other retailers to pursue an independent strategy.

Amoco ordered to pay \$85m for oil-slick disaster

A US FEDERAL judge yesterday ordered Amoco, the US oil major, to pay damages of \$85m to 90 claimants including French fishermen, hoteliers and others in compensation for an oil slick caused by the Amoco Cadiz supertanker which broke up off the French coast in 1976, wrecking Debrah Hangarvies in Chicago.

The award is the highest ever made for an oil spill claim, according to Judge Frank McGarr, although it was well short of the \$1.6bn claimed. The Amoco Cadiz broke up in a storm on its way to Europe from the Gulf, disgorging about 68m gallons of crude oil on to

200 miles of beaches along the northern French coastline. The ship drifted after its rudder broke and foundered on rocks within two miles of the Brittany coast.

Amoco has said it would appeal against the ruling, although it already has \$232m (\$41.95m) in a fund in Brest. The oil company is trying to claim 100 per cent of the damages from the tanker's Spanish builders, Astilleros de Cadiz. The judge said he also held the builders liable and would sit in the next few months to decide how much the Spanish company would have to pay. In a 1984 decision, Judge

McGarr said Amoco was negligent for keeping the tanker at sea instead of temporarily docking it for required maintenance. The tanker was carrying more than 200,000 tons of oil from the Gulf when it was wrecked.

The wreck caused the fourth biggest marine oil spill ever and the largest near a coastline. The slick ruined Brittany's tourist trade for a year, killed oyster beds and decimated the population of valuable fish and shellfish in the area.

The clean-up took months to complete and involved an estimated 10,000 people. The claim for damages, however, was

much higher than an estimate made by the French Government shortly after the spill and the judge called it "wildly exaggerated".

The ruling comes just as the US is clearing a 1m gallon diesel fuel spillage that slicked into the Mosongahela and Ohio rivers near Pittsburgh, drifting for more than 100 miles and affecting drinking water.

However, this is small compared with the biggest oil spill ever, which occurred in 1979 in the Gulf of Mexico when 500,000 tons were released after an oil well blew out.

● Judge McGarr said he based his judgment on the hard evi-

dence. "The judgment is much more than Amoco conceded it was liable for and much less than the plaintiffs sought...perhaps it is equitable."

Mr Frank Cicero, the lawyer who represented Amoco at the lengthy trial, which began in April 1986, said he would appeal both the damage award and an earlier ruling from the same judge which held that Amoco was liable for the spill.

Mr Cicero said the decision vindicated Amoco's claim that the French were making exaggerated demands and that there were questions about some of the French clean-up programmes.

France: Amoco Cadiz wrecked off Brittany coast.

Map showing the location of the Amoco Cadiz wreck off the Brittany coast of France, near Plymouth, Guernsey, Jersey, and the English Channel.

World equities limit losses as central banks prop up dollar

BY SIMON HOLBERTON IN LONDON AND JANET BUSH IN NEW YORK

CENTRAL BANKS stepped into financial markets yesterday to prop up the dollar and to maintain confidence on share markets after last Friday's sharp fall on Wall Street.

The intervention, which was thought to be modest, included most European central banks together with the Bank of Japan, the Bank of England and the US Federal Reserve. It was sufficient, however, to avert a major sell-off of the US currency.

Predictions of another major fall in share prices, following Friday's 140-point fall in the Dow Jones industrial average, failed to take place yesterday. Although the London share market opened down, by the close of trading most of the losses had been clawed back.

Analysts said City institutions had been strong buyers of shares during the day. The FT-SE 100 Share Index closed 13.2 lower (after opening 12.5 lower) at 1,760.2, while the FT Ordinary share index closed 7.1 lower at



1,747.4. Central bank intervention, which lack the liquidity of the bigger markets and strong local support for shares, saw share prices marked down. Prices in Frankfurt were about 4 per cent lower, while in Amsterdam and in Paris about 3 per cent lower.

Airbus moves to cushion effect of currency swings

BY PAUL BETTS IN PARIS

AIRBUS Industrie, the European aircraft consortium, wants to negotiate its future sales on the basis of a basket of major currencies rather than on the US dollar alone, to cover itself and leading airline companies from the impact of a volatile dollar.

The consortium is also urging its industrial partners to cut back costs by 30-35 per cent in an effort to boost Airbus's competitiveness, Mr Jean Pierson, the Airbus president, said yesterday.

Mr Pierson said the European consortium had already started selling aircraft on the basis of a currency basket. He hoped that agreement would be reached with both

Airbus competitors and major customers to extend the use of this new scheme involving a currency basket composed of the D-mark, the French franc and the dollar, with each currency accounting for 25 per cent of a total sale.

He claimed such a system would reflect more closely the evolution of foreign exchange markets and give airline companies, as well as Airbus, greater stability in aircraft assets on the balance sheet.

However, he emphasised that Airbus alone could not adopt such a system and that discussions had been launched with the European consortium's main competitors on this issue. The Airbus initiative comes

at a time when major aerospace manufacturers have been seriously hit by the sharp fall in the value of the dollar.

However, Mr Pierson sought yesterday to play down the impact of the dollar's current weakness on the European consortium, arguing that commercial aircraft programmes involved long cycles of between 20 to 25 years.

He added that the average level of the dollar between 1972 and the year of the first Airbus flight - and the end of last year had been about FFfr5.50 to the dollar or the current level of the US currency against the franc.

Mr Pierson is a relatively

Saudi gives oil discount to top US customers

By Richard Johns

SAUDI ARABIA has been giving preferential terms to its four major oil customers - Exxon, Chevron, Texaco and Mobil - since October as an inducement to maintain their purchases and as a means of fulfilling its quota under the Organisation of Petroleum Exporting Countries' production-sharing accord.

The four US majors have enjoyed what amounts to a price discount in the form of an increase in the barrel fee paid to them for the joint service operation they perform for the Arabian American Oil Company (Aramco), according to industry executives and market analysts.

They were commenting on a report in the well-informed weekly newsletter Middle East Economic Survey, its latest edition says that the American concerns "though invoiced on the basis of official prices for their Saudi liftings, have... (in fact) for some time past been making actual payments on a market basis with final settlement deferred".

The newsletter did not give details but added that Iraq, Iran and Qatar - all members of Opec - had been selling oil below official selling rates agreed by the organisation at the end of 1986.

Exposure of the pricing device, concealed last summer after Mr Hisham Nazer, Saudi Arabian Oil Minister, came under heavy pressure from the companies in Los Angeles, could prove a heavy blow to Opec's efforts to stabilise oil prices around a central reference price of \$15 a barrel.

In practice, other members of Opec such as Nigeria and the United Arab Emirates have offered similar incentives by widening the so-called "equity margins" enjoyed by companies that still have a stake in their producing operations and pro-

Continued on Page 20

Israeli leaders fear unrest will continue

By Andrew Whitley in Jerusalem

A PALESTINIAN teenager was killed near the West Bank town of Ramallah yesterday by a Jewish settlement leader. His death brought the toll from the five-week-long unrest in the West Bank and Gaza to at least 32.

The death of 15-year-old Rabah Hussein Ramam was the second time that a Palestinian demonstrator had been killed by a Jewish settler in recent weeks.

Last month, under similar circumstances, a settler in Gaza shot dead a teenage girl. General Amram Mitzna, the regional military commander, said that from initial reports the shooting, by Mr Pinchas Wallerstein, appeared justified, as the settler's car had been stoned by demonstrators.

Meanwhile, leaflets were distributed clandestinely yesterday through the West Bank and Arab East Jerusalem calling for the prolongation, at least until Wednesday, of an unprecedented general strike in the occupied territories.

One of the leaflets distributed anonymously to shops and businesses in East Jerusalem yesterday called on President Hosni Mubarak of Egypt to cut Egypt's "relations with Zionism".

Others demanded an end to Israel's "iron-fist" policies and called for free elections in all municipalities in the occupied territories.

The co-ordinated appearance of the leaflets, signed by organisations like the "People's Committee for the Support of the Popular Uprising in the Occupied Homeland", represents a significant new twist to the disturbances.

With the disturbances showing no sign of relenting, as had

been confidently predicted until recently by Israeli leaders, a mood of gloom appears to be settling over the Government of Mr Yitzhak Shamir over how to handle the unfolding events.

In private, little hope is held out that the latest tactic - collective punishments such as district-wide curfews designed to prevent Arab workers travelling to their jobs in Israel - will succeed where force has failed.

What particularly troubles the Government is the absence this time of Israel's traditional lines of communication to local Palestinian leaders. During previous periods of unrest, these dignitaries were able to exercise restraint over the young people at the forefront of protests.

Mr Marrack Gouling, the United Nations special envoy sent to the region to examine the situation and look into ways of protecting the Palestinian population, yesterday held his first - and possibly only - meeting with a senior Israeli official.

Prime Minister Shamir and Mr Yitzhak Rabin, then Defence Minister, have pointedly failed to respond to the UN official's request. It was thus left to Mr Shimon Peres, the Foreign Minister, to explain his country's rejection of Security Council resolution 605, which had condemned Israel's handling of the unrest.

At this late stage, considerable uncertainty surrounds how Mr Gouling, an under-secretary at the UN, intends to implement the mandate he was given by the Security Council.

He hopes to visit the occupied territories but his programme had still not been arranged last night.

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DEMOCRATIC PRODIGAL BIDS FOR THE HEART OF A NATION

Gary Hart, Democratic candidate for president, determined to promote his 'vision of the future.' Page 4

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EUROPEAN NEWS

Bonn gains EC support for coal industry aid

BY WILLIAM DAWKINS IN BRUSSELS

WEST GERMANY yesterday got the go-ahead from the European Commission to hand out DM4.15bn (£1.4bn) of national aid to its coal industry over the next year.

beneficiaries an unfair advantage over EC competitors. German steel mills consumed 17.5m tonnes of locally produced coal last year, while another 8m tonnes was shipped to other Community steelmakers.

Also included in the scheme are DM337m for social costs in closure areas and DM310m to cover new investment, retraining and rationalisation. The announcement comes a month after West German coal producers and unions agreed to cut output by 20 per cent and shed 30,000 jobs by 1995.

The Commission said yesterday that the package was unlikely to distort free competition because West German coal and coke stocks were already high, deliveries to other member states were expected to fall this year and because there was no evidence to show that subsidised domestic coal prices amounted to indirect state aid to industrial coal users.

Pulp producers to test limits of EC jurisdiction

BY TIM DICKSON IN BRUSSELS

A CRUCIAL legal battle is set to begin in Luxembourg today aimed at testing the jurisdiction of the European Community outside the boundaries of the 12 member states.

The cases in the European Court have been brought against the European Commission by a group of American, Canadian and Finnish pulp producers and two trade associations. The producers were found guilty and fined by the Brussels authorities in December 1984 for allegedly engaging in concerted price fixing in the European market that infringed Article 85 of the Treaty of Rome.

At stake, however, is not just the question of whether the Commission should have applied the EC's competition rules to these companies but the much wider issue of the Community's whole extra-territorial legal authority.

Among the parties named in today's cases are 12 Finnish companies and the Finnish pro-

ducers' association FINNCELL, the American pulp producers association KEA plus individual companies, including Crown Zellerbach, Chesapeake, Meade and Scott Paper, and a group of Canadian businesses, including Westar Timber and Canadian Forest Products.

The applicants were all among the 30 to 40 producers fined by the Commission in 1984 for "concerted practices" in the pricing of bleached sulphate pulp, which is used in the manufacture of high quality paper and quality paper board.

The marketing structure of these companies varied widely but according to the submissions made to the Court some used subsidiaries, while others sold through agents.

Today's oral hearing will deal solely with the question of the Community's jurisdiction. Considerable emphasis has been placed by many of the applicants on the so-called "Dyestuffs case" of 1972 involving ICI.

US stands firm on tactical N-weapons

By Robert Mautner, Diplomatic Correspondent

THE US yesterday reiterated its opposition to any inclusion of tactical nuclear weapons in the proposed East-West talks on conventional arms, which are due to be held in a new forum once a negotiating mandate is agreed by Nato and the Warsaw Pact.

Mr Stephen Ledogar, the US representative to the European Conventional Stability Negotiations, said in a US Worldnet television link-up with several European capitals that the forthcoming negotiations should concentrate on heavy conventional weapons, such as battle tanks, artillery pieces and attack helicopters.

Neither nuclear weapons nor naval forces, which were essential to protect Nato's overseas supplies in time of war, should be covered by the negotiations, which are scheduled to replace the stalled mutual and balanced force reductions (MBFR) talks in Vienna.

Though the US was prepared to envisage, in certain cases, the inclusion of "dual capability" weapons with either a conventional or nuclear capacity, the problem should be approached from the point of view of their conventional role, Mr Ledogar said.

Mr Ledogar was optimistic about the prospect of an agreement on a negotiating mandate for the new conventional arms talks "within a reasonably short time." It was encouraging that the Soviet Union had recognised that there were "significant asymmetries" in the strengths of the Nato and Warsaw Pact forces, which had to be ironed out. The final result of the negotiations should be an equal level of force.

However, Mr Ledogar stressed that the MBFR forum should continue to remain in existence until it was virtually certain that the new conventional stability forum was "a going concern."

Mr Ledogar also underlined the close structural relationship between the proposed force level talks and the Conference on Security and Co-operation in Europe (CSCE) review meeting in Vienna. Any agreement on a new mandate for conventional arms negotiations was dependent on an agreement by the CSCE review conference on other matters on the agenda.

Pay seen as Swedish growth key

BY SARA WEBB IN STOCKHOLM

THE SWEDISH economy can be expected to show much lower growth this year if wage increases are not kept in check, warned Mr Kjell-Olof Feldt, the Finance Minister, when he presented his 1988-89 budget yesterday.

Mr Feldt called on the labour force to "show restraint and conclude low wage agreements," warning that high wage costs would lead to tougher competition in the export markets at a time of widespread economic uncertainty.

If wages increase by 7 per cent during 1988 and 1989, GDP growth would slow from 2.5 per cent in 1987 to 1.7 per cent in 1988, he warned. The balance on the current account would deteriorate to a deficit of SKr14.2bn (£1.3bn) in 1988 and SKr21.0bn in 1989 - after a surplus of SKr 6.9 bn in 1986 and a deficit of SKr 4.8bn last year - while inflation would continue at a level of 5-6 per cent.

Independent economic analysts forecast wage increases of 6 per cent to 6.5 per cent in the public sector and more than 7 per cent in the private sector this year, and maintain that Mr Feldt's dream of keeping wage increases to a maximum of 4 per cent is unrealistic.

The wage negotiations have already got off to a thrifty start with white collar workers in the manufacturing sector threatening to come out on strike next Monday, a move which could quickly harm Sweden's leading export compa-

nies. Mr Feldt said that if wage increases could be kept down to 4 per cent, growth would slow to 1.5 per cent in 1988 and 1.7 per cent the following year. According to this scenario, inflation could be brought down to 3 per cent from its 1987 level of about 5.4 per cent, and the balance on the current account would widen to a deficit of SKr11.5bn.

The financial markets reacted negatively to the budget proposals, which in the run-up to the September general election were not expected to contain any major reforms.

Interest rates on five-year bonds rose by 15 to 20 basis points to 11.5 per cent while the stock market general index dropped 2.53 per cent to 668.05.

Mr Feldt emphasized the need to continue with restrictive fiscal and monetary policy to reduce the inflation rate and said that unemployment, currently at 1.9 per cent, would not be allowed to rise.

The Government forecasts expenditure of SKr363.3bn and revenue of SKr341.4bn for 1988-89, giving a budget deficit of SKr11.9bn (or 1.1 per cent of GDP) compared with a budget deficit of SKr14.7bn (1.4 per cent of GDP) in the previous fiscal year.

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Gorbachev holds talks with Czech party chief

MR MIKHAIL GORBACHEV, the Soviet leader, met Mr Milos Jakes, the new Czechoslovak Communist Party chief, yesterday for talks on their countries' domestic and foreign policies, Reuters reports from Moscow, quoting Tass news agency.

Tass said the meeting, soon after Mr Jakes arrived for his first visit to the Soviet Union since his surprise appointment last month, passed in an atmosphere of "cordiality, friendship and complete mutual understanding".

The official Soviet agency said the two leaders discussed "a wide range of questions touching on the domestic policies of both parties and states. Foreign analysts said Jakes's visit could help promote a deepening of economic and political reform in Czechoslovakia on the lines of the restructuring Mr Gorbachev has promoted in the Soviet Union their countries' domestic and foreign policies, Reuters reports from Moscow, quoting Tass news agency.

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US backs Paris-Bonn dialogue

By Ian Davidson in Paris

MR FRANK Carlucci, US Defence Secretary, yesterday warmly endorsed the growing dialogue on defence issues between France and Germany.

"We think that closer co-operation between Nato countries and France in the military area is highly desirable," he said. "We do not see it as weakening Nato in any way."

Mr Carlucci was speaking at the end of a two-day stopover in Paris, on his way home from a tour of the Gulf region. During his visit he saw President Francois Mitterrand, Mr Jacques Chirac, the Prime Minister, Mr Jean-Bernard Raimond, the Foreign Minister and Mr Andre Giraud, the Defence Minister.

"Our relations with France are excellent," he said. "There is a high degree of defence co-operation between our two countries, and of co-ordination in the foreign policy area."

"We discussed the state of the alliance," he said, "including Franco-German cooperation. We think the Franco-German dialogue is highly desirable as a way of strengthening the alliance."

Mr Carlucci categorically denied that the Soviet-American Intermediate-range Nuclear Forces (INF) treaty for the removal of all Euro-missiles from Europe would have any adverse effect on the size of the US conventional troop contingent in Europe.

Kohl backing for Stoltenberg

BY DAVID MARSH IN BONN

MR HELMUT KOHL, the West German Chancellor, yesterday threw his weight behind the controversial plan of Mr Gerhard Stoltenberg, the Finance Minister, to raise taxes next year.

Mr Kohl told a press conference Bonn had "no other possibility" but to raise taxes on consumer items like petrol and tobacco next year to reduce government borrowing.

Mr Stoltenberg revealed last week that the federal deficit this year would rise at least DM 40bn (£13.5m), one-third above the projected only six weeks ago. The proposal to increase consumer taxes in 1989 has drawn fierce opposition from

within the coalition government, and has also been criticised by outside economists as dampening further next year's growth prospects.

Mr Stoltenberg, facing one of the most difficult periods in his political career, has also been criticised by officials close to Mr Kohl for his allegedly poor presentation of the government's tax-cutting measures coming in to effect this year and in 1990.

Mr Kohl also said he expected Mr Mikhail Gorbachev, the Soviet leader, to visit Bonn before the summer break. Mr Kohl is keen to combine hosting the Kremlin chief with the presidency of the European Community, which Bonn holds until

end June. Mr Kohl put a brave face on last year's West German economic growth slowdown. Figures due out later this week will show growth of about 1.7 per cent last year.

Statistics published yesterday showed meanwhile that West Germany's foreign trade surplus last year hit a record DM 116.8bn, up from DM 112.6bn in 1986.

Consumer prices last year showed an average rise of only 0.2 per cent, the Federal Statistics Office said. This rise, much lower than originally expected - compared with a fall in prices of 0.3 per cent in 1986.

Turkey names planning chief

IN A victory for economic technocrats in the Government, Mr Ali Tigril, 40, has been made head of the powerful State Planning Organisation, David Baruch reports.

Mr Tigril succeeds Dr Yusuf Bozkurt Ozal, who became Minister of State in charge of economic affairs in the new Cabinet announced two weeks ago.

Mr Tigril will have a major say in the formation of economic policy and in particular over whether individual projects go ahead or not. He is known to favour lower growth and more cautious economic expansion to prevent Turkey running into balance of payments difficulties.

Pravda gives possible date for Kabul pullout

THE SOVIET Communist Party newspaper Pravda said yesterday that Soviet troops could start pulling out of Afghanistan on May 1 if an agreement was signed by Pakistan and the Kabul administration by the start of March, Reuters reports from Moscow.

Pravda commentator Mr Vsevolod Ovchinnikov said agreements under discussion at several meetings in Geneva in the past two years provided for a halt to US support for Afghan insurgents.

"It is becoming possible to sign the Geneva understandings by March 1 and the Afghan side is by all appearances intending to aim for that - then the starting date for the withdrawal could be May 1," he wrote.

Mr Ovchinnikov made it clear the US and Pakistan would have to take major steps to stop activities by Moslem rebels. The Pravda journalist, whose remarks were clearly based on an official briefing, said a completed agreement on Afghanistan could provide an extra push for the next Soviet-American summit - which diplomats expect for late May in Moscow.

The article marked the first time Moscow had mentioned an exact date for the start of a pull-out.

FINANCIAL TIMES Published by the Financial Times (Group) Ltd, London. Editor: John G. ...

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EUROPEAN NEWS

Moscow eases curbs on German emigration

BY DAVID MARSH IN BONN

IMMIGRATION into West Germany of ethnic Germans from the Soviet Union and Communist Europe rose sharply last year to 88,000, the highest since 1958.

At the same time entry into the Federal Republic of Third World refugees seeking asylum fell by nearly half.

This contrasting pattern, revealed in figures from the Interior Ministry, provides an apt reflection of West German immigration priorities.

It also shows how East-West détente has helped West Germany shift the immigration balance to favour ethnic Germans.

As a result of improved relations between Bonn and Moscow, the Soviet Union allowed 14,500 ethnic Germans to leave the country last year, up from only 700 in 1986 and the highest figure since 1950.

Mr Friedrich Zimmermann, the Interior Minister, said Moscow had eased departure restrictions for people with close relatives in the West.

A total of 2m citizens of German extraction live in the Soviet

Union, and Bonn's policies for decades have been geared to bringing more of them back to the Federal Republic.

Additionally, 19,000 people were allowed to emigrate last year to West from East Germany, while more than 48,000 came from Poland.

East-West agreement also provided one reason for the fall in refugee flows.

The number of asylum seekers fell to just over 57,000 from nearly 100,000 in 1986 and 73,800 in 1985.

Although Mr Zimmermann indicated displeasure with the remaining size of refugee flows, he pointed out that the fall from 1986 partly reflected an agreement with East Berlin to end uncontrolled entries of asylum seekers across the Berlin Wall.

Mr Zimmermann said, "The pressure of refugees on the Federal Republic has not slackened."

His tones were markedly warmer in another comment on the increased flows of ethnic Germans.

He urged the West German population to make the newcom-

ers feel at home "at work, in churches and in sports organisations, on holiday and everywhere in daily life."

The immigrants "have come to us to live as Germans among Germans," he said.

The refugee figures show a drop in the number of asylum applications from Iranians, Lebanese and Palestinians. However, 11,450 Turks applied for asylum, up from 8,700 in 1986.

Last year West Germany brought in restrictions making it harder for third world emigrants to seek refuge.

This was on the grounds that many asylum-seekers were fleeing their countries for economic rather than political reasons.

The asylum-seekers included a rising proportion of Poles, who topped the list with 15,000 refugees.

This reflects the large number of Poles who are entering West Germany without an official emigration permit.

Many are claiming ethnic German status to allow them to take up residence in the Federal Republic.

Czechs renew attack on Dubcek

By Judy Dempsey in Vienna

A SENIOR Czechoslovak Communist Party official has sharply criticised the Prague Spring of 1968, the movement which attempted to reform the communist system, just a day after Mr Alexander Dubcek, the party leader during 1968, published an interview in L'Unita, the Italian Communist Party daily, defending his actions.

Mr Jan Fojtik, a candidate member of the Politburo and the Central Committee Secretary for Ideology, had already written last week a scathing attack on the events of 1968 which was published in Hozpodarske Noviny, an economics weekly.

However, Rade Pravo, the Czech Communist Party daily re-ran the complete article yesterday.

Ende Pravo's decision to re-print suggests that the Czechoslovak leadership was taken aback by the extent of Mr Dubcek's long and detailed interview, which covered not only the events of 1968 but the similarities between the reforms of Mr Mikhail Gorbachev, the Soviet leader, and the Prague Spring.

In what is regarded as an official but ill-prepared reply to Mr Dubcek, Mr Fojtik said he "could hardly believe his eyes, and the arrogance of our right-wing forces, some of whom have risen began to give us lessons on restructuring."

In his interview with L'Unita, Mr Dubcek saw some hope that Mr Gorbachev would give restructuring a more "concrete approach" in Czechoslovakia.

Mr Fojtik again dismissed any notion that the former leaders of the Prague Spring would be rehabilitated, an idea which Ende Pravo shot down last week.

It would be "unthinkable" to believe that those people identified with the Prague Spring could return to public life, Mr Fojtik wrote, clearly in response to Mr Dubcek.

"They would like politically to establish, introduce and push themselves forward at any costs and as soon as possible."

Ian Davidson reports on the European defence body's problems

French check WEU's progress

THE RELAUNCH of Western European Union, the seven-nation defence grouping, has come to a grinding halt after little more than three years as a result of apparently irreconcilable disagreement between France and its six partners.

The revitalisation of WEU was first mooted in 1984, at French initiative, in response both to the Euro-missile crisis of 1981-83 and to European anxiety over President Reagan's Strategic Defence Initiative (Star Wars) of 1983.

In 1985 the seven governments decided on a provisional plan for updating WEU's Paris-based operational agencies, whose utility had largely disappeared in the 30 years since the foundation of WEU in 1954. In principle, they also agreed on the desirability of "co-locating" these Paris-based agencies with the Council and its Secretariat, currently based in London - though they did not at that time agree on a new single location. The British government has since then publicly argued that WEU ought to be located in Brussels, close to Nato and the European Community.

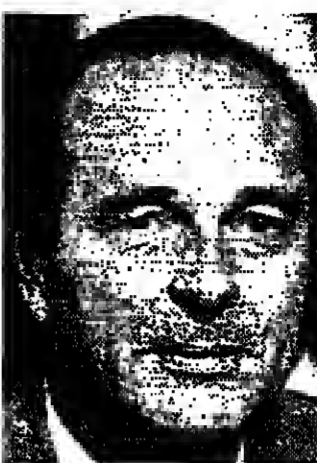
In the event, the provisional two-year revitalisation plan lapsed shortly before Christmas, because of deadlock between France and its part-

ners over the next phase. In essence, France rejected proposals, agreed by the other six member states, which would have transferred budgetary resources from Paris to the London operations, so as to strengthen the Council secretariat, and which would have placed control of the Paris agencies under a British director.

French recalcitrance seems to have been mainly designed to minimise any changes which might appear to reduce French influence over the institution, or which might jeopardise, by however little, the chance of "co-locating" the two halves of WEU in Paris.

Inevitably, the disagreement places a major question mark over the institutional future of WEU. Mr Alfred Cahen, the Belgian diplomat appointed as Secretary-General to remobilise WEU, is formally taking personal control of the three Paris-based agencies. These are the Agency for Defence and Security Questions, the Agency for the Study of Arms Control and Disarmament Questions, and the Agency for the Development of Co-operation in the Field of Armaments.

But it is hard to see how Mr Cahen can combine these duties with his main tasks in London,



Chairman re-emphasised importance of European interests

reconcile the French attitude, which smacks of a very old-fashioned kind of Gallo-centrism, with the repeated calls by French political leaders of both left and right in support of the principle of closer European defence co-operation.

Only last week, Mr Jacques Chirac re-emphasised the importance of the so-called "Platform on European security interests" published by the seven member states of Western European Union last October.

There is no serious reason to question the depth of the debate in France over the difficulty of reconciling the country's commitment to the construction of Europe with a defence doctrine inherited from Gaullist notions of nationalist independence.

But French proposals for reform of defence policy have tended to concentrate on the idea of strengthening France's bilateral ties, first with West Germany and most recently with the UK.

The deadlock over the re-activation of WEU may not call in question the sincerity of the French debate, but it may be a symptom of the difficulty of bringing about a multilateral re-insertion of France into Europe's defence arrangements.

and there must now be renewed doubt over the chance of Western European Union acquiring an independent and dynamic existence as a multilateral body for the promotion of European security co-operation.

Prospects for effective multilateral security co-operation between France and the other six member states are less clear. It is certainly difficult to

Hungary to scrap controls on many prices

THE Hungarian government will relinquish control of most consumer prices at the end of March, the official news agency MTT said yesterday. Reuter reports from Budapest.

Central authorities will continue to keep a tab on price changes only up to March 31, after which date free prices will be introduced with the exception of staples and some public services, it said.

The move is the latest of many market-oriented measures to be introduced by Hungary, an Eastern European pathfinder in economic reform.

In its new Economic Service inaugurated on Monday, MTT gave details of sweeping price increases this month, part of a government program that also abolishes subsidies and introduces Eastern Europe's first value added tax (VAT).

As of January 1, the price of 53 per cent of all goods and services rose by an average of 16.2 per cent.

Charter 77 urges protest at Romanian conditions

By Judy Dempsey

THE Czechoslovak independent human rights group Charter 77 has named February 1 as a day of European solidarity with the people of Romania, to protest against their deteriorating living conditions and the lack of food, lighting and heat.

The statement, which was signed by the three new Charter spokesmen for 1988 and released on Sunday evening, says the "economic crisis in Romania is not only a Romanian affair but concerns all Europeans."

Europeans must understand "they are living on the same continent as a nation that has to fear winter and darkness."

The Romanian Government "is unable to ensure its population the most basic material and social benefits which Communist regimes proclaim to be their greatest achievement as a way of legitimating themselves."

The Charter document says

that the temperature in homes and offices rarely reaches 10 degrees Celsius, no more than two 40-watt bulbs in a home can be switched on at the same time, and that items such as flour, sugar and meat are practically unobtainable or strictly rationed.

Romanian citizens are also denied basic freedoms "to a degree unknown elsewhere in the Soviet bloc," the statement says.

"All the present Romanian regime has to offer its people after 22 years in power is the personality cult of Mr Nicolae Ceausescu," the President and party leader.

The recent disturbances in Brasov in which thousands of workers protested against the shortage of food and called for "an end to the dictatorship" was prompted by what Charter 77 calls "complete despair, which drove Romanian workers to demonstrate."

Four killed in daring Istanbul terrorist attack

By David Barchard in Ankara

ONE POLICEMAN has been killed and three other people injured in the most daring terrorist attack in the Istanbul region for many months, raising fears that Turkey may face a revival of terrorism.

Istanbul police said yesterday that seven or eight people, said to belong to an unnamed left-wing organisation, had attacked an army depot at Kandira, 150km east of Istanbul, taking hand grenades, pistols, rifles and ammunition.

A shoot-out occurred later when police challenged two taxis which the group had commandeered.

Attacks of this kind are extremely unusual in western Turkey. A raid on an Istanbul police station last summer was thought to have been organised by pro-Kurdish guerrillas and there is speculation here that there could be Kurdish involvement in the latest attack.

Eastern Europe picks up BBC satellite broadcasts

By Raymond Snoddy

BBC World Service broadcasts delivered by satellite are being received in Eastern Europe by individuals with their own satellite dishes.

BBC External Services have had direct contact from a group in Poland which has been listening to the 24-hour-a-day World Service on their own satellite receiving equipment, which is not illegal in Poland.

The BBC began using a Eutelsat television satellite to broadcast two channels of radio - the World Service and a compilation of existing programmes in 20 different languages.

The programmes are aimed at Western Europe but the satellites deliver high quality medium wave broadcasts to most of central Europe.

So far no-one has tried to jam broadcasts from a satellite, although jamming of regular BBC short wave broadcasts to Poland stopped unexpectedly on January 1.

Greece links bases talks to other issues

By Adriana Ierodiconou in Athens

NEGOTIATIONS ON the future of the four US military bases in Greece resumed here yesterday as Mr Andreas Papandreu, the Prime Minister, warned that their progress would depend on US help in resolving disputes with Turkey.

"Discussions will continue as long as there is the possibility of linking an eventual agreement with the progress and resolution of pending national issues, and the complete safeguarding of our national interests," the Prime Minister said.

At the same time a Greek government spokesman disclosed that Athens informed the US last November of a freeze on all construction projects at the bases for the duration of the negotiations. The existence of an official freeze was not confirmed by the American side. Sources, however, said there have been difficulties

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A more intelligent approach to computing

OVERSEAS NEWS

Mubarak backs attempt to start talks with Iran

BY RICHARD JOHNS
FULLSOME backing was given by Egypt yesterday to attempts by conservative Arab states of the Gulf to open a dialogue with Iran aimed at bringing about a ceasefire in its seven-and-a-half year conflict with Iraq.

Messages

At last November's Arab summit conference Syria opposed the move by member states of the GCC led by Saudi Arabia and Kuwait, to resume relations with Egypt which it ruptured in 1979 following its peace treaty with Israel.

Libyan killed in Uganda

A LIBYAN diplomat was fatally injured and five people, including the French cultural attaché, were hurt when a grenade or small bomb exploded yesterday morning in the building housing their embassies to Uganda, Reuters reports from Kampala.

Victor Mallet highlights the impact of the conflict in Mozambique on neighbouring Malawi
Walking a thin line between war and peace

THE DIVIDING line between war and peace in Africa can be as narrow and as insubstantial as a road.
South of the capital, Lilongwe, Malawi's main road becomes the frontier with Mozambique for about 40km.

Malawi, most of them in the past year. They are still coming.
Malawi is a poor country of 7.5m inhabitants and the influx in the south has put pressure on overcrowded farmland, on social services, and on food supplies already reduced by a poor harvest.



Mozambican soldiers, taking refuge in Malawi, have their weapons checked by border officials.
At the refugee front, Malawian efficiency, with the help of the United Nations, appears to be coping.

remain here as long as the war is still on.
Transport is Malawi's biggest headache. In addition to its usual exports and imports it now needs to haul in thousands of tonnes of extra maize to feed the population.

Since then, with Mozambique under the leadership of Mr Joaquim Chissano, tensions have eased and Malawi has committed its troops to the Nacala corridor.
The relationship with South Africa, meanwhile, has been under strain. Many disenchanted Malawians are convinced that the South African Government, despite its denials, continues to support the RENAMO.

Manila delays local elections in 10 areas

BY RICHARD GOURLEY IN MANILA
THE Philippine government has postponed local elections, due to be held on January 18, in 10 of the country's 73 provinces to avoid violence either among opposing candidates or from communist-led rebels.

FEDERAL OFFICIAL ATTACKS QUALITY OF IMMIGRANTS
Asia influx irks top Aborigine

BY CHRIS SHERWELL IN SYDNEY
AN EXTRAORDINARY attack on Asian immigration by one of Australia's most successful Aborigines has unexpectedly compounded the two most sensitive issues of the country's 20th anniversary of white settlement.

employment and imprisonment, they are significantly worse off than their white counterparts.
In the past few years, the inexplicable phenomenon of Aboriginal deaths in custody more than 100 since 1980 - has led to the formation of a Royal Commission which is certain to go well beyond the individual cases themselves.

Peking wary of Soviet invitation to summit

BY ROBERT THOMSON IN PEKING
PEKING'S LEADERS are not as fond of summits as Moscow's Mr Mikhail Gorbachev, and are wary of his way of appealing directly to the people to add momentum to his diplomatic initiatives, although influencing the Chinese will be more difficult than impressing Americans raised on a diet of photo opportunities and quotable quotes.

Interestingly, the leader of the Peking-based Kampuchean resistance coalition, Prince Norodom Sihanouk, is understood to be in the Chinese capital. The Prince has not announced his presence and is obviously here to brief and be briefed by Chinese officials on his planned re-entry to Cambodia, the central base of the Vietnamese-backed Kampuchean regime.

AMERICAN NEWS

Venezuela crackdown on border crime

BY JOE MANN IN CARACAS
THE Venezuelan Government, concerned about security problems on its long border with Colombia, is taking steps to suppress kidnappings of wealthy citizens in the area and limit the activities of Colombian guerrillas and narcotics dealers.

Brady proposals unlikely to pass Congress hurdles

BY LIONEL BARBER IN WASHINGTON
THE key recommendations of the Brady Commission report on last October's stock market crash face considerable obstacles in the US Congress and are unlikely to pass into law.

Banking Bill in the current session of Congress. While he has welcomed some of the Brady recommendations, he does not envisage them being included in the Banking Bill.

It is that it is too mild. It does not really scare anybody.
The "wait and see" attitude of Congressional leaders is matched by the distinctly cool reaction to the report from the White House.

Canada, US sign Arctic deal

BY DAVID OWEN IN TORONTO
MR GEORGE SHULTZ, US Secretary of State, and Mr Joe Clark, Canadian External Affairs Minister, were yesterday poised to sign a new Arctic co-operation agreement which sets aside the two nations' conflicting legal claims to control of the Northwest Passage.

Meese to testify in trial of lobbyist

BY LIONEL BARBER
THE ethics of the Reagan Administration are under siege again this week with the expected opening in Washington of a long-awaited influence-peddling trial.

Among the highlights of the trial will be the testimony of Mr Ed Meese, US Attorney General, who is the subject of a parallel investigation by a court-appointed special prosecutor.

Setback to creditor bank talks with Brazil

BY ALEXANDER NICOLL, CHICAGO EDITOR
THE recent improvement in Brazil's relations with its creditor banks has suffered a serious setback with its failure to make interest payments due last week.

Stewart Fleming reports on the disruptive appeal of the Democratic presidential candidate

Mystic Hart lays claim to old loyalties in Iowa

"WE ought to be worrying about what they are doing for their country, not what they are doing for us," said Mrs Linda Thompson, a 35-year-old receptionist from the university town of Ames, Iowa, as she watched former Senator Gary Hart campaigning in the town's main shopping mall at the weekend.

Having reclaimed instantly his position as the Democrat's front runner, ABC News/Washington Post pollster on November 17, two days after he re-entered the race, showed him once again in the lead with some 30 per cent of Democrats saying they supported his candidacy. Ray Jesse Jackson was second with 22 per cent.

Of possibly greater significance, a CBS News/New York Times poll in Iowa, the state whose caucuses on February 8 will be the first real test of voters' intentions, suggested that Mr Hart was front runner there among those who definitely or probably would go to the caucus elections.



Senator Gary Hart campaigning with wife Lee: his re-entry into the presidential race triggered waves of speculation.

This is an image which clearly appeals to some of his former supporters, particularly those who are still attracted by his presentation of himself as an outsider running against the establishment. And, as Mrs Thompson, a strong supporter of the senator since his 1984 campaign, pointed out, the presence of Mrs Hart by his side is important to women voters who are sympathetic to his cause.

campaign last year, must now rely on his celebrity status and curiosity value to attract the reporters and television cameras who are following him around. Money is a problem, and he is under attack again for not having paid off his 1984 campaign debts.

A joint statement by Brazil and the banks on the interim agreement reached in November, which suspends interest payments to them last February, would keep current in payments to them from the beginning of January.

WORLD TRADE NEWS

Britain to speed talks on water deal for Nigeria

BY PETER MONTAGNON, WORLD TRADE EDITOR

BRITAIN is to speed up financing negotiations with Nigeria on a contract to provide water supply to 49 areas in Niger state following Mrs Margaret Thatcher's visit to Lagos last week.

The Export Credits Guarantee Department has already guaranteed a \$141m (£9.4m) loan for the project, which is being handled by Bywater of the UK. But it has been stalled since Nigeria ran into foreign exchange problems in 1984.

In her speech to a state banquet in Lagos last Thursday, the British Prime Minister said the project was "important and worthwhile." Nigeria is negotiating a further \$22.5m ECGD credit to finance completion.

This would make it the first of a long list of stalled projects in Nigeria to be revived following the announcement last year that the ECGD was resuming export credit cover to the Babangida regime.

The new loan, which is to be provided by Morgan Grenfell, would fall outside the \$200m Barclays-led credit line announced at the time export credit cover was resumed.

Implementation of this loan has been delayed after Nigeria again fell into arrears on its ECGD debts, but negotiations on documentation have now also resumed.

One reason for the softer line

being taken by the UK Government with both Mrs Thatcher's Lagos announcement and the Barclays loan is that Nigeria has now made some payments on its ECGD debt which go part of the way towards making up the arrears, bankers believe.

However, the accommodating stance being taken by the UK Government is likely to irritate uninsured trade creditors of Nigeria who are planning a major meeting in London on Thursday to discuss rescheduling of some \$3.25bn in unpaid debts.

The meeting is being held amid signs of mounting opposition to the 25-year rescheduling plan among trade creditors in Japan, West Germany, the UK and Hong Kong.

Reuter reports from Mozambique that the Canadian Regional Industrial Expansion Department said it would provide the government of Nigeria with a loan of C\$100m (\$41m) to purchase 50 locomotives from Bombardier.

A spokesman for the Department said a contract between Bombardier and Government-owned Nigeria Railways had not yet been signed, but completion was expected soon.

"They've been negotiating with Bombardier for some time. Financing was a condition for sale and we have now covered that."

Japan-UK whisky row 'settled soon'

JAPAN'S Prime Minister, Mr Noboru Takeshita, told Sir Geoffrey Howe, Britain's Foreign Secretary, yesterday that proposals to solve the long-standing British-Japanese whisky row would be unveiled by June, Reuter reports from Tokyo.

Sir Geoffrey, who arrived in Japan on Saturday for a five-day visit, held five hours of talks with Mr Takeshita, Japan's Foreign Minister, and had a short meeting with Mr Takeshita.

British officials said both sides had characterised the visit as marking the start of a new "dynamic, plain-speaking relationship" between the two countries.

They said Sir Geoffrey had called on Japan to end restrictions on imports of whisky, a major British export, and said he had pointed out he first raised the issue when he came to Japan as trade minister in 1973.

A Japanese Foreign Ministry spokesman said Mr Takeshita had promised Sir Geoffrey that measures to solve the whisky row would be included in a liquor tax reform package due to be implemented in April 1989.

The Japanese premier said details of the package would be announced before the Toronto economic summit scheduled for early June. He gave no details.

Mark Newham reports on plans for the world's largest single wind energy project

California's winds blow Europe's sails

INSTALLATION WORK has begun on the first of 1,800 wind energy turbines shipped from Europe to California. In what will become the biggest single wind energy project in the world, Comapro Holdings of Berne plans to invest up to \$3bn over the next three years in installing 900MW of European wind turbines at four locations in California.

Contracts are currently being negotiated for wind power machines from companies in West Germany, Denmark and Austria. When complete, the project will almost double California's existing wind power output, which currently stands at 1,200MW.

Comapro believes that the time is right to bring wind energy to the forefront of the world's power supply industry. It has chosen California as the location for its first large-scale wind project. Wind energy is already an accepted part of the

state's power supply, and Californian utilities are legally bound to buy power offered to them by the owners of wind turbines.

European wind turbines have been chosen for the project since Comapro considers that no suitably sized US-made wind turbines are available. The Swiss company wants to use turbines in the 500-600kW range rather than the smaller rated output machines.

In the project's first phase - due to start in early 1988 - machines from Wagner Rotor of West Germany and Villas Styria of Austria will undergo stringent test runs to prove their reliability. When Comapro and its US arm, Aeroelectric Corp, are satisfied that the machines work satisfactorily, contracts for large numbers will be awarded to the companies concerned. Tests will also be conducted later on wind turbines developed by Messerschmitt

Bolkow Blohm (MBB) of West Germany and Bonus of Denmark.

A single Wagner Rotor 330kW machine has already been tested at Altamont Pass in California.

Utilities are legally bound to buy power from wind turbines

California and results show that the design can be pushed to produce 600kW under the right wind conditions. Early in 1988, three 500kW Villas Styria turbines will be tested at San Geronimo.

Once the Wagner Rotor and the Villas Styria machines have proved their reliability to Comapro, it is understood that up to 800 Wagner Rotor and 270 Villas Styria devices will be ordered for the project over the succeeding two to three years. The turnkey cost of building and installing each Villas Styria machine is put at \$750,000.

while the cost of the Wagner Rotor machine is put at \$230,000.

Villas Styria plans to start manufacturing at its engineering plant at Eisenenz, Austria, at the rate of 10 turbines per month while construction of the Wagner Rotor machines will begin next January at the French plant of the West German engineering company Koch.

The project also envisages the inclusion of pumped water storage to make use of power generated at off-peak periods to fill a reservoir. At peak power periods water will be released through hydro-electric turbines to generate up to 30MW which will be sold to local utilities.

The inclusion of this system will maximise the project's income from electricity sales and make it competitive with fossil fuel-fired generating plants.

According to Mr Hans Aebi,

Comapro's vice chairman, finance for the project is being sought mainly from Austrian banks which, he says, are enthusiastic about the prospects for wind energy projects.

The project has already aroused considerable interest in power supply and wind energy circles. It is understood that discussions are now taking place between Comapro and Britain's Wind Energy Group over a proposed joint venture between the two to enlarge the Wagner Rotor machine to generate up to 1MW.

The outcome of the scheme, and especially the performance of the Villas Styria machine, is being closely monitored in Austria since Villas Styria is the first product of Austrian privatisation. Owned by Villis-Construct, Villas Styria was formed when the wind energy branch of the giant state-owned company Voest Alpine was hived off in 1986.

Portugal sees 25% increase in tourism revenue

TOURISM in Portugal boomed last year, largely due to a growing influx of British and Spanish tourists, bringing in a total revenue of Esc298bn (£1.2bn), a 25 per cent increase over 1986. Our Lisbon Correspondent reports.

Direct foreign investment in the sector attracted Esc8.5bn, making it the second largest area of such investment in 1987 after

financial services, according to the National Tourism Board.

Of the 6.1m tourists who visited Portugal last year, 2.6m were from neighbouring Spain, while 1.1m came from the UK. British tourists favoured hotels over other forms of accommodation.

The main tourist market is along the southern Algarve, an area increasingly dominated by

British tour operators, and British investors are taking an active role in developing the region.

United Investments Portugal, part of the British-based United Investments Group, is to invest Esc5bn in a luxury tourist complex, including a five-star Snerston Hotel just outside the town of Albufeira.

Lisbon has decided to boost its tourist capacity and has

approved six four-star and six three-star hotel projects, as well as a large five-star hotel complex to be built and managed by Hilton International.

Economic analysts say the tourist industry has large growth potential in Portugal, especially outside the over-developed Algarve region. "Tourism is still wide open", said Mr William Cunningham of Arthur Ander-

son in Lisbon.

However, a new law revising investment incentives in the tourist sector is due to be published shortly which could change the pattern of tourist development in the country.

The new code would involve government low-ceiling grants rather than loans and would favour projects aimed at developing the interior of the country.

UK company near pact on China canning plant

BY OUR WORLD TRADE EDITOR

CIM International, a project management company based in Fareham, UK, is in the final stages of negotiation for a vegetable canning plant in China's Hubei province which could produce some £80m in counter-trade business over the next five years.

The plant, to be built by Balfour Beatty at a cost of £16m, has a projected output of 54m cans of high quality vegetables a year, and will be the largest such export-oriented plant in China.

CIM, which is active in food marketing as well as project management, will purchase the entire output and arrange distribution internationally.

Proceeds will go to pay off a loan which China is arranging to finance the plant. This will be a conventional Export Credits Guarantee Department (ECGD)-backed loan with a guarantee from the Bank of China and provided through Scandinavian Bank and Credit Agricole.

Mr Paul Wright, CIM's managing director, said a feature of the arrangement would be that its output would be market-led. This contrasts with many counter-trade arrangements where importers are expected to take on product from developing

countries regardless of its quality or relevance to the end-market.

CIM was invited to work on the project, which will produce canned ratatouille, asparagus, mange-tout peas and broccoli, after it warned the Hubei authorities against constructing a plant to produce tomato paste, a heavily protected product, he said.

As part of the deal, CIM will provide continuing expatriate management advice for the plant to assure quality control and maintain EC and US Department of Agriculture health standards. Under the countertrade arrangement, it will also provide vegetable seeds and the raw materials for processing cans.

Despite the high international tariffs on canned vegetables, amounting to 22 per cent in the case of the EC, CIM believes the relatively low Chinese wage costs should make the factory's product competitive.

Financing for the deal had to take the form of a conventional export credit because the ECGD has not yet agreed to guarantee countertrade transactions.

It is now considering move into this sector. Were it to do so, bank financing for counter-trade deals would be much easier to obtain, Mr Wright said.

Norwegians win contract to insure oil platform

BY KAREN FOSSLI IN OSLO

VESTA, Norway's second largest insurance group, has landed a \$5m (£2.7m) contract to insure an offshore oil platform for the Julliet field, which is being developed in the Gulf of Mexico by Conoco, the energy subsidiary of the DuPont Company.

The insurance coverage for the platform, being built in Singapore, is for \$285m. Vesta is participating as a member in a 20-insurance company consortium. Each insurance company has about 20 underwriters behind it.

In 1987, Vesta generated an income of Nkr 1.5bn (£100m) from insuring marine-related structures and vessels. It ranks among the world's largest marine insurance companies. It has also provided \$387m in coverage for Conoco's UK-based subsidiary for nine Southern Basin gas fields, in a Nkr 92m contract.

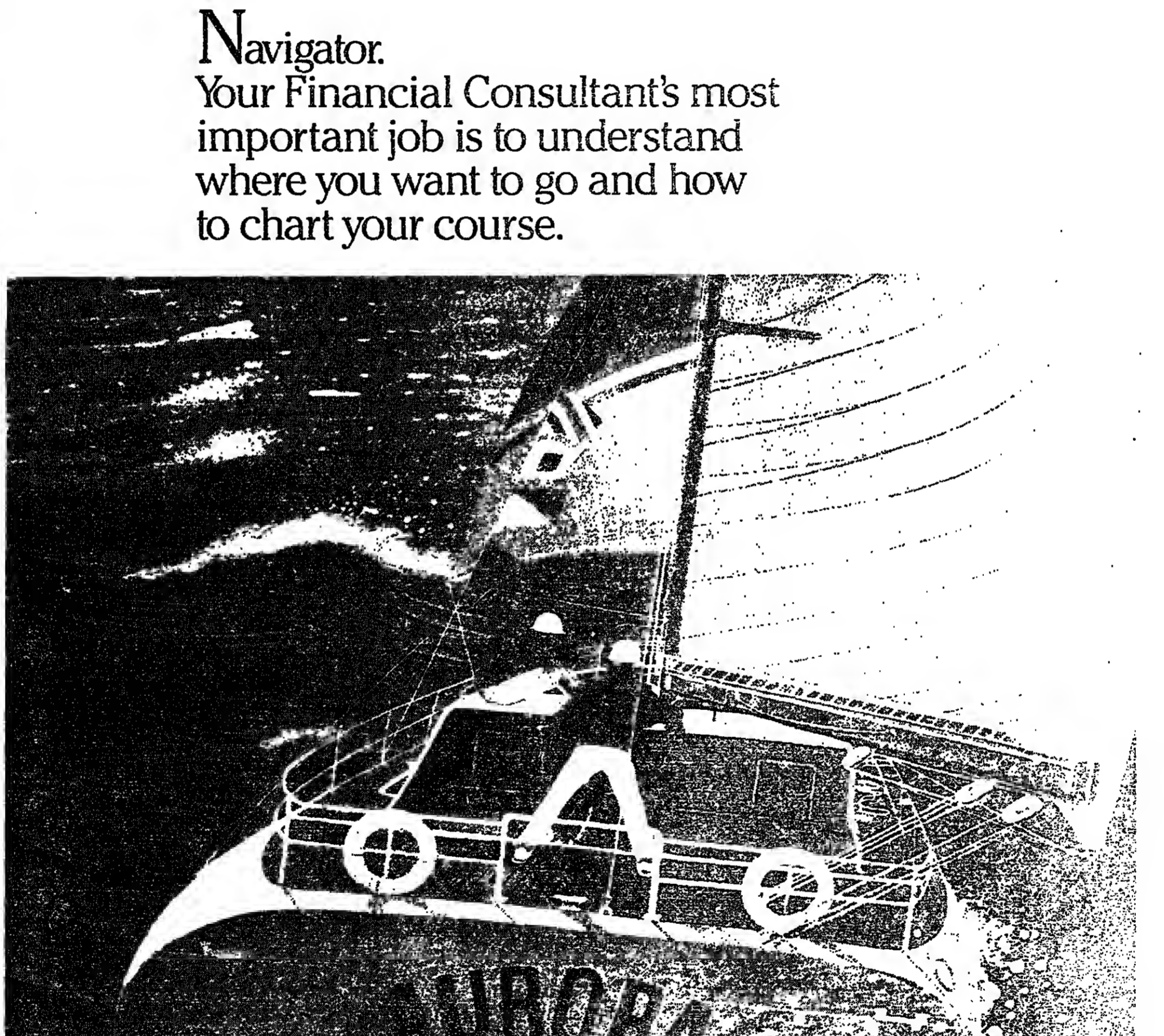
Vesta also provided Nkr 51bn in coverage for Norway's state oil company, Statoil, in a Nkr 105m deal for its three Stafford oil platforms.

Vesta says that in a "worst case" pay-out, it would be obligated for Nkr 6m, because of the limitation of risk provided by its underwriters.

However, in one offshore-related disaster, the 1981 opening of the semi-submersible Alexander Kielland off the coast of Norway, a total of Nkr460m had to be paid out by insurers. In Canada an offshore gas blow-out in the West Venture field demanded a \$200m pay-out.

Currently insurance coverage does not exist for production shut-down of oil or gas fields, but Vesta says this will become a new market for the future.

Behind Britain, Norway ranks second among the world's insurers, followed by the US.



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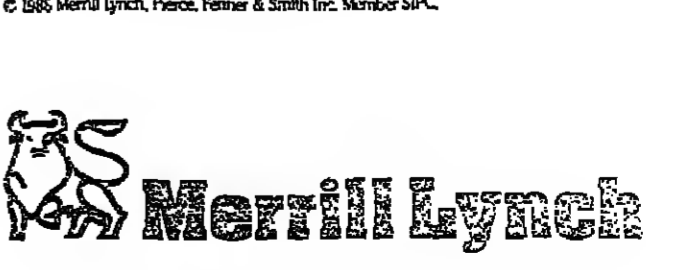
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UK NEWS
**Peter Riddell on the loneliness of a long-distance prime minister
Whitelaw leaves political vacuum**

COMPARISONS between Mrs Margaret Thatcher, the Prime Minister, and Queen Elizabeth the First and Queen Victoria are not just the fantasies of her more fervent supporters. Like them she is a survivor, outlasting her early colleagues and advisers.

With the enforced retirement on health grounds of Lord Whitelaw, the Deputy Prime Minister, only three of her original May 1979 Cabinet remain - Sir Geoffrey Howe, Mr George Younger and the resilient Mr Peter Walker. All the former senior allies of Mr Edward Heath have now left and the rest of the Cabinet owe their promotion entirely to her.

With Mr Norman Tebbit, former party chairman, also gone, this leaves Mrs Thatcher in a detached, and isolated, position. Many in the Cabinet appear as solid office-holders rather than as major political figures, while others, such as Mr Kenneth Baker, the Education Secretary, regard themselves as possible successors.

There are few people around now who have the confidence, and independence, to challenge her and persuade her that she should, at times, change her views on an issue.

Lord Carrington performed this role over foreign affairs from 1979 to 1982, and Lord Whitelaw had a comparable general influence for several years - intervening to prevent arguments between ministers developing into major rows. This involved not just acting as the Cabinet conciliator - both informally and formally each autumn when chairing the Star Chamber committee on public spending - but also in giving candid private advice to Mrs Thatcher. Lord Whitelaw was a voice she could not ignore.

Lord Belstead, his replace-



Close friends: Lord Whitelaw and Mrs Thatcher

ment as leader of the Lords does not have his political weight or natural feel. These talents may be required this summer when the Government runs into trouble in the upper house over its more controversial bills, and someone will have to tell Mrs Thatcher and departmental ministers when and where to make concessions.

Lord Whitelaw's departure leaves a considerable political vacuum. Sir Geoffrey Howe and Mr Nigel Lawson are now the most powerful figures in the Government, but they are too busy to act like him as a loyal and disinterested fixer.

The obvious successor to Lord Whitelaw's role, if not his mantle, is Mr John Wakeham, the leader of the Commons. A successful Chief Whip, he is by temperament a behind-the-scenes operator - arranging parliamentary business and sorting out disagreement between ministers. Indeed, he has worked closely with Lord Whitelaw since 1983.

Mr Wakeham is not, however, a natural public performer. He

had a well-publicised rough ride on a phone-in during the last election campaign and he lacks the relaxed humour of his predecessor, Mr John Birtles. There also appears to have been a cooling of his previous association with Mrs Thatcher in the months after the election. This is partly because the leader of the Commons is preoccupied with Westminster affairs and does not have the automatic regular access to the Prime Minister of a Chief Whip.

Nevertheless, Mr Wakeham now appears to be enjoying something of a comeback in influence, though at present without Lord Whitelaw's authority.

Otherwise, Mr Douglas Hurd, the Home Secretary, and Mr Nicholas Ridley, the Environment Secretary, both apparently enjoy immediate access to Mrs Thatcher and have, though not in the position of candid friends to her.

Lord Young, the Trade and Industry Secretary, had the fastest rise of anyone in the

last parliament but relations with the Prime Minister were strained when he, too openly, sought to become Conservative Party chairman as well. With some justice he blames Lord Whitelaw and Mr Wakeham and he is still in the process of rebuilding bridges.

Mr Cecil Parkinson has also apparently been a frequent visitor to 10 Downing Street, but his priority is establishing himself in Government as Energy Secretary, particularly in formulating plans for electricity privatisation.

So, who does Mrs Thatcher talk to when she wants to unwind with people she can trust? Mr Parkinson and one or two of the others can be counted as friends, if not cronies.

But like other political leaders who outlast their contemporaries and become more than pressmen later on, Mrs Thatcher has come to rely for candid advice on her personal staff in Downing Street. Both Mr Charles Powell, her foreign affairs private secretary, and Mr Bernard Ingham, her press secretary, are said by ministers to enjoy considerable influence, at times more than that of members of the Cabinet.

All this goes back to the comparison with Queen Elizabeth and Queen Victoria. Both easily outlasted their early advisers, Lords Burghley and Melborne, respectively. They tended to become more isolated over time, with courts in which people moved in and out of favour with the sovereign, who relied increasingly on personal staff.

The question now is whether there is anyone in the Cabinet who can stand up to the Prime Minister and tell her when to modify her views - and, if necessary, eventually - when to stand down.

Government seeks safer furniture foam

BY NOR OWEN AND ALICE RAWSTHORN

THE GOVERNMENT intends to ban standard and high resilience polyurethane foam in new household furniture from the end of February next year.

Tougher than expected proposals for reducing the fire risk of such material, were announced by Mr Francis Maude, the Consumer Affairs Minister, yesterday.

He envisaged the introduction of more rigorous tests for furni-

ture coverings. This follows a recent spate of household fires in which deaths were attributed to fumes released by burning foam.

Mr Maude also admitted that members of the European Community could lodge objections that the more stringent standards constituted an unjustified barrier to their furniture exports to the United Kingdom.

The penalties embodied in the

proposed regulations involve fines of up to £2,000 and imprisonment of up to six months, or both, for each offence.

The furniture industry, which has long been in favour of safer foam fillings, greeted the Government's news with relief.

The industry had feared that the Government would yield to public pressure by imposing an immediate ban on the use of

standard foam. Mr Byron Lewis, a director of Christie Tyler, the Hillesden Holdings subsidiary which is the largest manufacturer of foam-filled furniture in Britain, described the Government's timetable as "very realistic".

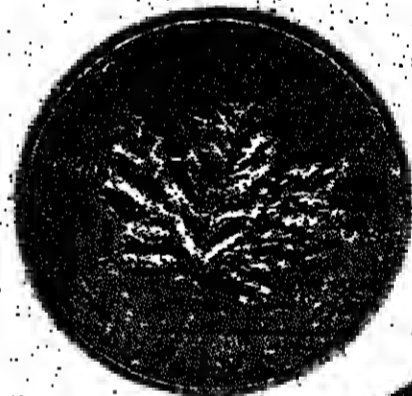
Most of the major foam suppliers have been developing combustion modified high resilience foams.

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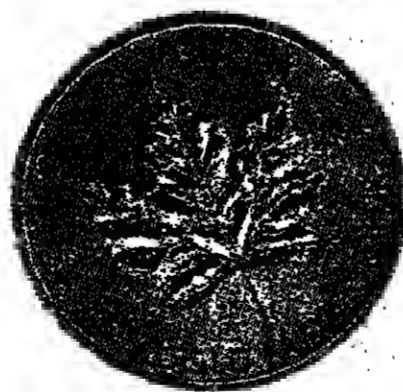
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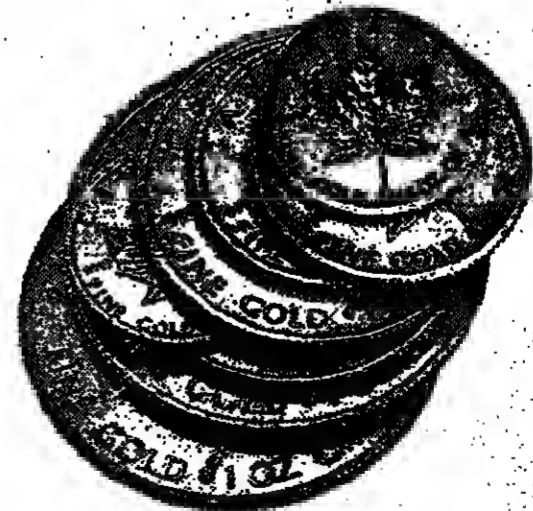


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UK NEWS - EMPLOYMENT

Tesco to quit pay bargaining body

BY JOHN GAPPER, LABOUR STAFF

TESCO, the supermarket chain, is withdrawing from the national pay bargaining with other retailers to free it to alter its pay structures and introduce a new system of job evaluation.

staff administer the MFREA - said the decision would disempower other members. The move is another example of an employer pulling out of joint pay bargaining with competitors to pursue an independent strategy.

up a statement of intent with Uddall, the shopworkers' union, covering areas such as job evaluation, rationalisation of pay structures, bank holiday arrangements and negotiating procedures.

some time at being tied to the MFREA and wanted a new pay strategy as part of an expansion strategy. Mr Sullivan said that he was unsure of the impact of Tesco's withdrawal on the MFREA, but that the union would be seeking talks with the body to ascertain the effect on its members in other chains.

New town part-time staff rise

BY OUR LABOUR EDITOR

PART-TIME working among men is increasing in the new town of Milton Keynes - recently ranked as Britain's most successful town.

Men working part-time form a small proportion of the total UK labour force, but the latest annual employers' survey carried out by the Milton Keynes Development Corporation shows that the proportion of male part-timers rose by a quarter between 1986 and 1987, from 16 to 20 per cent of total part-time employment in the town.

Compared with the whole of Great Britain, Milton Keynes has a slightly higher proportion of women working in manufacturing industry, according to the report, and a higher proportion of men working in services. Over 80 per cent of part-time jobs in the town are in the service sector.

Service employment in the new town is dominant and still growing, though it is still less than the average level of service employment throughout the south-east. The number of full-time jobs is higher in the town than the GB average.

The MKDC says its job creation strategy has helped create Britain's fastest-growing town. It estimates that when final statistics for 1987 are available, it will again have exceeded its target of the creation of 9,500 new jobs each year.

1987 Employers' Survey Report: MKDC, Strategic Planning Department, Sutton Court, 502 Apsbury Boulevard, Central Milton Keynes, MK9 3BS, free.

John Speck on the impact of the housing shortage Workers who sleep in cars

CONSTRUCTION workers from the north and Midlands who have found employment in the Gatwick and Crawley areas of West Sussex are sleeping in their cars because of a local accommodation shortage.

The practice highlights the complaint of local employers that high house prices and a limited supply of private rental accommodation in the area are hampering attempts to recruit staff from other parts of the country.

Shelter, the housing charity, and housing organisations in the Gatwick area say that increasing numbers of construction workers are sleeping rough or in cars. They estimate the total in the area could be more than 100.

Uddall, the construction union, is a few days away from the building works here. It has cars to illustrate the difficulties faced by workers transferring from the north to the south.

The union says it regularly receives reports of workers who come to the south in search of work and are forced to sleep in the buildings they

are employed to renovate. The construction worker who sleeps regularly in his car at Gatwick said last week that he came south from Huddersfield seven weeks before after nine months of unemployment.

The worker, who asked not to be named, said he was able to pay the average weekly rate for renting a room of \$46, but had been unable to find a vacancy.

He said that he would like to bring down his wife and seven-year-old daughter to join him, but a furnished house would be too expensive. According to Shelter, the cost would be between \$500 and \$600 a month.

The man said that after working a 10-hour day, he slept in the back of his car in a sleeping bag. He said: "It's cramped and it makes my back ache. I know a few other men who sleep in cars and some who hang around the airport most nights."

In Crawley and Gatwick, the rented housing stock was described by Shelter as "run-down and expensive". Local housing groups said that the problem had been exacerbated by the expansion of the local economy over the past two years.

Unemployment in Crawley has fallen from 6.9 per cent to 3 per cent in the past 18 months, and local businessmen are worried that the housing shortage limits their recruitment of skilled staff from other areas.

The Crawley and District Industries Association has raised \$30,000 and set up a steering committee to investigate housing and recruitment problems against the background of what it regards as the local economy overheating.

A report on employee mobility published in November by Homequity, and a recent paper from the Institute of British Geographers, suggest that there is a growing problem of labour mobility between the north and the south.

Last year, the Department of Land Economy at Cambridge University estimated that a further 770,000 houses would be needed in the south by 1995 to cope with local demand and population migration from the north.

TUC body supports MSC plan on training

By Charles Leadbeater, Labour Staff

THE TUC seems almost certain to support the Manpower Services Commission's plans for a £1.4bn training programme for the adult unemployed to be launched in September in spite of the opposition of several unions.

The TUC's education and training committee yesterday recommended by eight votes to four that the TUC's ruling General Council should back plans for the scheme at its meeting later this month.

The decision will be welcomed by MSC officials who believe the scheme, which will offer an average of six months' training to 620,000 people a year, will need widespread support to be successful. The plans were unanimously agreed last week by the MSC's 11 strong policy making commission, which includes three TUC commissioners.

Nalco, the local government union (with two votes), Nape, the public sector union, and Uccatt, the construction union, voted against support for the scheme. Union critics of the scheme hope that Uddall, the shopworkers union, MSP, the union to be formed by the merger of Tass and Astms, the National Union of Mineworkers, and Civil Service unions, will join the opposition.

TUC officials are optimistic the scheme will be approved. The Transport and General Workers Union, the AEU, engineering union, the two largest groups, voted to support the scheme, and are likely to be joined by the GMB, general union, the third largest union, when the issue is debated on the general council. Five smaller unions supported the scheme at yesterday's meeting.

A TUC paper presented to the committee accepted trainees would not be paid according to prevailing wage rates. The TUC said last month that payment based on prevailing wage rates was a key condition.

However, the paper argued that many trainees will be paid more than participants in the commission's TOPS programme, which the unions have long supported. It set a list of extra payments, to cover travelling expenses, child care for single parents, and special work equipment, were introduced at the TUC's insistence.

College lecturers back outline accord for two-year pay deal

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE TWO sides in the long-running college lecturers' pay dispute yesterday announced an outline agreement which would give further education colleges greater flexibility to lay on vocational training courses for industry.

The two-year agreement would give 80,000 full-time and 90,000 part-time college and polytechnic lecturers an immediate average pay rise of 10.3 per cent, plus a further 6 per cent from July 1.

Leaders of Nafhe, the main lecturers' union, say the rises would restore their members' differentials in respect to school teachers and narrow the differentials enjoyed by university dons. The deal is constructed to give bigger rises to polytechnic staff.

In return, most college lecturers would be committed to a

maximum of 21 hours a week of "class contact" or teaching, rising to 23 1/2 hours in the event of "unbalanced workload" in the college. At present, basic (grade 1) lecturers are expected to teach between 17 and 20 hours and grade 2 staff are expected to teach between 20 and 22.

Mr Neil Fletcher, leader of the local authority employers, said yesterday this would set the pattern for a decade and give colleges the flexibility to cater for "new kinds of courses and new kinds of potential customers."

The pay dispute began in 1986 and limited disruptive action, including half-day strikes, occurred throughout last year. The deadlock was broken in lengthy negotiations last week when the employers reduced their demand for a basic teaching commitment of

22 hours. The agreement, said by the employers to add 12.5 per cent to the \$1bn pay bill, is due to be put to a meeting of the national joint council negotiating body on February 2.

It appeared last night that the deal would face some opposition. Mr Fawzi Ibrahim, who chairs the union's action group, said the terms were merely "old wine in new bottles" and should be rejected. He claimed several members of the national joint council, including himself, would vote against it.

TV-am, the independent breakfast television company, last night agreed to meet leaders of the ACTV technicians' union in an effort to resolve the seven-week dispute over working practices. Talks are expected to take place on Thursday.

Court rules council wrong to stop pay

BY OUR LABOUR CORRESPONDENT

THE High Court ruled yesterday that a local authority worker should not have had his pay withheld for refusing to deal with councillors' inquiries during a local industrial dispute.

Mr Justice Michael Davies ordered the London Borough of Tower Hamlets to pay about \$1,000 in back salary to Mr Marek Wiluszynski, who worked in the authority's housing department.

The ruling clouds the effect of a judgment last year by the House of Lords that, in a similar instance, a superintendent registrar had rightly had his pay docked by another authority for refusing to conduct weddings on Saturdays.

Both court actions were backed by Nalco, the white-collar union, which had in each case been supporting the dispute that prompted the pay penalty. The union said yesterday the extent of the relevance of the Lords judgment was now in doubt.

Mr Alan Jinkinson, Nalco's deputy general secretary, said: "This is a significant victory for Nalco members following, as it does, the earlier Miles case which seemed to give employers a free run at workers taking

limited industrial action." The High Court heard that Mr Wiluszynski had been one of 22 Nalco members at Tower Hamlets who had been applying disruptive sanctions in support of a grading claim in 1985.

Because he had refused to deal with councillors' inquiries, his pay had been withheld for the five-week period of the dispute. But, after sanctions were lifted, it had taken less than three hours to clear the backlog of inquiries.

Although the staff had been warned at the time that their action was a breach of contract, Mr Justice Davies held yesterday that the withheld pay should be paid in full.

In the previous case, Mr Henry Miles, superintendent registrar at Wakefield District Council, had been penalised for refusing to work on Saturdays as part of a national grading dispute. He had lost a total of \$774.

In a judgment thought at the time to be decisive in consideration of pay docking for limited industrial action, five Law Lords held unanimously that the pay deductions were valid because, in practice, Mr Miles had worked only 34 hours of his normal 37-hour week.

SAYE share options 'values triple'

BY JIMMY BURNS

MOST EMPLOYEES contracted into save-as-you-earn (SAYE) share option schemes have seen the value of their investments at least triple over the last five years, according to a survey by the Industrial Relations Services research company.

The survey found that, even with the stock market crash last October, share prices are still a "long way above" their values in 1981-82 when many of the schemes began.

IRS indicates that for the higher paid employees, the gain under SAYE share-option contracts may have been worth more than pay rises in net pay terms as they have only to pay capital gains tax on the share profits rather than higher marginal rates of income tax.

However, the research unit suggests that following the stock market crash companies with schemes which have yet to each maturity may have to use alternative methods of promoting SAYE schemes.

Meanwhile a separate study on the John Lewis Partnership supermarket and stores chain, the largest employee-owned company in the UK, suggests that commitment to employee involvement may be one of the main reasons behind improved productivity and rate of return growth.

Bcal averts action over staff hours

BY JIMMY BURNS

BRITISH Caledonian has narrowly averted a repetition of an incident which brought the company to the brink of a strike say union officials.

Mr George Copsey, an official of the IAGWU transport union representing the 1,300 BCal cabin staff, said the company last week decided to fly a

DC-10 to Houston empty of passengers after the cabin crew refused to carry on working. The crew had argued that orders to accompany the passengers followed a delay which breached an agreement covering maximum hours worked.

Mr Copsey said the incident highlighted once again the pres-

sure his members were put under when "there is a shortage of cabin staff."

Last week BCal cabin staff voted unanimously to ballot on industrial action if the company resulting from the merger with BA did not exonerate seven employees disciplined after a similar incident in October.

Table with columns: High/Low, Company, Price, Change, % Chg, Div, Yield, P/E. Lists various stocks like 206 133 Ass. Bth. Ind. Ordinary, 207 145 Ass. Bth. Ind. CULS, etc.

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FOOD INDUSTRY The FT is proposing to publish this survey on Friday 22nd January 1988. For full details contact: MARK JONES on 01 248 8000 Ext 3565

Great Ormond Street needs major surgery. We've been putting a plaster on the problem since the 1930s. But now part of the hospital is simply unusable. And the rest is overcrowded, antiquated and frustrating. The governors have decided we must build a new hospital and, wait for it, the bill will come to over £50 million. Beds for healthy parents. Sir Phillip Powell has designed a light, joyful building with more operating theatres. More room for parents to stay with their children (kids get better quicker this way). And something we don't have: recovery rooms where the children can come round after operations (we have to use the corridors at present). We'll have more playrooms, more gardens, more room to breathe. Would you like to help us? The Wishing Well Appeal. The DHSS is making a major contribution. But we still need to raise £30 million. Now it's your chance. Please: 1. Walk in to any branch of The Midland Bank and give whatever you can to our appeal which we've called 'The Wishing Well Appeal'. 2. Send a cheque by post to The Wishing Well Appeal for GOS, Midland Bank, 8 Cooper's Row, London EC3N 2BD. 3. Tell everyone how important it is. Organise fund raising at work, in your street or village. If you need help phone us on 01-831 1199. Thank-you. From the nurses, doctors and children of Great Ormond Street.

NOTICE OF REDEMPTION. To the Holders of THE KOREA DEVELOPMENT BANK U.S. \$100,000,000 Floating Rate Notes. NOTICE IS HEREBY GIVEN to the holders of the outstanding Fifteen Year Floating Rate Notes due 2000 (including such Notes requested to be converted into Three Year Floating Rate Notes) and Three Year Floating Rate Notes due 1990 (collectively the "Notes") of The Korea Development Bank (the "Bank") that, pursuant to the provisions of the Terms and Conditions relating to the Notes and the provisions of the Fiscal Agency Agreement dated February 15, 1985 between the Bank and Morgan Guaranty Trust Company of New York as Fiscal Agent, the "Fiscal Agent", the Bank has elected and will redeem on February 18, 1988 all of its Notes at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date. Payments will be made on and after February 18, 1988 upon presentation and surrender of Notes with interest coupons due August 1988 and subsequent attached. Such payments will be made in U.S. dollars, subject to applicable laws and regulations, either (a) at the Corporate Trust Office of the Fiscal Agent in New York City, or (b) at the Main Offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main and London, Kreditbank S.A. Luxembourg, or in Luxembourg and Swiss Bank Corporation in Basle. Any payment made within the United States or transferred to an account maintained by a non-U.S. payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20%. If payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-9 certifying under penalties of perjury that the payee is not a United States person, payments made within the United States to non-exempt U.S. payees are reportable to the IRS and those U.S. payees are required to provide to the paying agent an executed IRS Form W-9 certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate) to avoid 20% withholding of the payment. Failure to provide a correct taxpayer identification number may also subject a U.S. payee to a penalty of \$50. Coupons due February 1988 should be detached and collected in the usual manner. Interest on the Notes shall cease to accrue on and after February 18, 1988. THE KOREA DEVELOPMENT BANK By Morgan Guaranty Trust Company 100 NEW YORK, Fiscal Agent Dated: January 12, 1988

To The Wishing Well Appeal for GOS, Midland Bank, 8 Cooper's Row, London EC3N 2BD. (Registered Charity No. 288763). I want to help Great Ormond Street get better: please accept this cheque for £ made out to The Wishing Well Appeal for GOS. Name: Address: Phone charge on my card: Account No: Expiry Date: Credit card phone line 01-831 1199. Help Great Ormond Street get better.

UK NEWS

Higher prices reverse trend in industrial costs

BY SIMON HOLBERTON

THE FAVOURABLE trend in British industry's costs was reversed in December with higher prices for domestic inputs to manufacturing stripping gains from cheaper imports, figures released yesterday by the Department of Trade and Industry show.

At the same time, however, industry managed to hold factory gate prices stable, their growth remaining broadly in line with previous months. There is little sign in industry's pricing behaviour of any effect of the October 19 drop in share prices.

Prices for materials and fuel rose by 2 per cent in December compared with 0.5 per cent in November. The DTI said this reflected a seasonal increase in electricity costs. Higher prices for food manufacturing materials, metals and petroleum were only partly offset by lower

prices for other imported materials.

On a seasonally-adjusted basis, however, prices provisionally rose by 0.5 per cent in December compared with a provisional fall of 1.5 per cent in November. In the year to the end of December the cost of materials and fuel used by British industry rose by 4 per cent, compared with 3.2 per cent in the 12 months to end of November.

The rate of increase in factory gate prices moderated in December. In the 12 months to the end of last month, output prices provisionally rose by 3.5 per cent, against a provisional 3.9 per cent gain in the 12 months to November, the DTI said. Output prices rose by 0.2 per cent in December compared with 0.3 per cent in November.

Factory gate prices have been rising at a consistently higher

rate than input prices and one month's change would not appear to represent a serious contraction in margins.

Industry has benefited from cheaper imported materials and fuels over the past six months which has been partly a function of strong pound and depressed world commodity prices.

There are signs that this favourable trend might be abating. An estimated 6 per cent rise in commodity prices in December exceeded sterling's 3 per cent gain against the dollar during the month.

The DTI's index of output prices (1980=100) was a provisional 163.2 in November. The DTI's index of input prices (1980=100) was a provisional 135.6 in December against a provisional 131.6 in November.

British Coal to close Fife pit

By James Dunton, Scottish Correspondent

BRITISH COAL is to close the Seafield colliery at Kirriemuir, Fife, following the failure of the labour force to respond to an ultimatum to make a big improvement in productivity.

The closure, which Mr George McAlpine, British Coal's Scottish area director, wants to put into effect as soon as a possible, means the end of a long saga in the changing fortunes of the pit.

Union representatives were told yesterday there would be no compulsory redundancies among the 640 workers. Those who do not accept British Coal's enhanced voluntary redundancy package will be offered work at the Longannet colliery in Fife.

British Coal also said it would spend £750,000 on exploring the prospects of reopening the nearby Frances colliery. But even if the reopening were feasible, it would only go ahead if the unions agreed to flexible working and if there was a long-term contract for the sale of the coal.

Touche acts under City code rule

BY RICHARD WATERS

TOUCHE ROSS is believed to have become the first accountancy firm to advise a listed company under rule three of the City's takeover code, marking a further advance by accountants into areas of corporate finance dominated by brokers and bankers.

Rule three of the takeover code concerns occasions when companies buying or selling others need to seek independent advice. The advisers must be approved by the Takeover Panel.

The development highlights concern about the effects on accountants' independence if they act as business advisers. These were heightened by a recent disciplinary investigation by the Institute of Char-

tered Accountants in England and Wales into Coopers & Lybrand's role in helping Pilkington fight off a bid from BTE last year.

Coopers was criticised by the professional body for a lack of objectivity in an attack on BTE's figures. The firm is appealing against this.

Touche is acting for Pineapple Group in its proposed sale of the loss-making Pineapple Limited, the original dance studio part of the business, to chairman Ms Debbie Moore.

Mr David Wadsworth, Touche corporate finance partner, said that his firm's work for Pineapple was less contentious than work in a contested takeover. He acknowledged, though, that it exposed the firm more than

other types of advisory work undertaken by accountants.

"We are joined with the directors in recommending a course of action," he said. "We went through a bit of a crisis when deciding whether to do this, because of the professional risk."

Under ethical rules, accountants must be objective but their entry into corporate finance has raised questions about their ability to remain so while taking a partisan role in a takeover or financing deal.

Accountants were recently allowed to waive their fees when a deal fails. This means they often have a financial interest in making sure a deal succeeds, raising further questions about objectivity.

Accountants, meanwhile, claim that the need to maintain their reputation for independence and objectivity outweighs temptations to "go to the clients' favour."

Broker Capel Cure Myers, Pineapple's usual financial adviser, is not working on the sale because of a potential conflict of interest. A Capel partner, Mr Don de Groot, is a non-executive director of Pineapple.

Mr Wadsworth stressed that Touche is not replacing Capel as Pineapple's main financial adviser.

Pineapple's auditor is Coopers & Lybrand. It has used Touche for advice on a number of recent deals.

Credit fuels retail spending

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

CONSUMERS borrowed heavily in November, relying on their credit cards to finance another sharp rise in high street spending, according to official figures published yesterday.

The Trade and Industry Department said yesterday that new loans extended by credit card companies, retailers and finance houses totalled £3.14bn during the month, against £2.98bn in October.

Meanwhile, Infolink, an independent credit agency, reported that applications by consumers for credit facilities rose last year by 24 per cent, with the annual rate of increase rising to 30 per cent in the latter months of the year.

The latest DTI figures show the amount of new credit as only fractionally below the record level of last September, marking the bulk of the new upward trend of the last few years. At the beginning of the year, borrowing was running at a monthly level of £2.5bn,

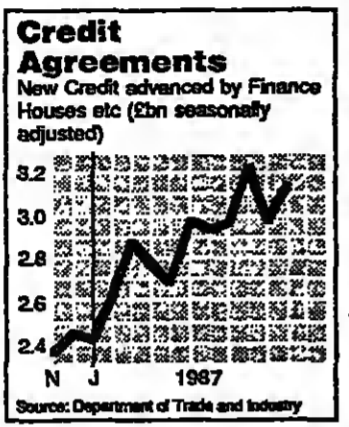
retailers and specialist finance houses have risen only slightly.

The amount of total consumer debt outstanding, which takes into account repayments, has also risen sharply. At the end of 1986, it stood at £19.06bn but by November last year was 18 per cent higher at £22.49bn.

There were signs, however, of an acceleration in the rate of repayments in the latest month.

The surge in consumer credit has contributed, along with much higher borrowing for house purchases, to a fall in the ratio between savings and income to its lowest level for nearly 30 years.

Separate figures published yesterday by the department show how high street shops are benefiting from the credit boom. They confirm that in the three months to November, the volume of sales was 1.6 per cent higher than in the previous three months and nearly 6 per cent above the same period a year earlier.



nearly 25 per cent less than the average in the autumn.

Credit card companies have secured the bulk of the new business, with their monthly average of new loans rising from £1.2bn to around £1.5bn. In contrast, loans provided by

Accountants' institutes ban tied agencies

BY NICK BUNKER

BRITAIN'S THREE institutes of chartered accountants are threatening tough disciplinary action against any of their 15,000 member firms which sign up as so-called "appointed representatives" for life assurance companies or unit trust groups.

The threat came yesterday from Mr Ian Plaitstone, chairman of the institutes' financial services policy co-ordinating committee.

The ruling councils of each of the three institutes, covering Scotland, Ireland and England

and Wales, had decided to ban such member firms from acting as agents tied exclusively to one life company or unit trust group, Mr Plaitstone said.

"We have concluded that there is nothing that is more important than the public should have access to advice which is totally independent," he said. "It is that independence which is the hallmark of the chartered accountants."

Mr Plaitstone was speaking at a press conference held to announce that all three institutes have received interim

approval from the Securities and Investments Board to act as "recognised professional bodies" (RPBs) under the Financial Services Act.

Approval as an RPB will allow each institute to authorise its members to conduct investment business as independent intermediaries, after the act comes fully into force in April. For a sole practitioner the cost of authorisation could be as little as £190, Mr Plaitstone said.

The three institutes now have to seek their members' author-

ity, to make changes in their royal charters, by-laws and rules to allow them to come into line with the SIB's investor protection requirements before they can obtain full recognition as RPBs.

The Institutes of Chartered Accountants in England and Wales will hold a special meeting of members on February 16. The Institute of Chartered Accountants in Scotland and the Institute of Chartered Accountants in Ireland will hold similar meetings on March 4 and April 8.

New chief for Allied Carpets

BY MAGGIE URRY

ASDA-MFI, the superstores group, has appointed a new chief executive, Mr Richard Harker, to run its Allied Carpets subsidiary replacing Mr Joe Saracine, the managing director, who has resigned.

It is thought that Mr Saracine's departure stemmed from disappointment that a management buy-out of Allied, a chain of 86 carpet and home furnishings stores, did not go through. Mr Saracine would now pursue other business interests, said Asda. He is not expected to

receive substantial compensation.

The buy-out was assembled after Asda put the business up for sale last summer. However, the stock market fell and the price Asda would have received for Allied from the management and other interested parties and last month it announced that it would not sell.

Mr Harker, 41, was a member of the Asda Stores board between 1973 and 1983. He was then a director of Woolworth

Holdings until he resigned in October 1986. Since then he has been working as a consultant.

Mr John Harkin, Asda chairman and chief executive, said yesterday: "We know Richard Harker well and are delighted he is able to join us now in developing Allied's fullest potential as part of our group."

Mr Harkin will chair the Allied board and Mr Joe Saracine, Asda director, Mr Edward Lea and Mr Graham Stow, will be non-executive directors.

Ferrari importer sold for £15.6m

By John Gwynnes

AT THE age of 74, Colonel Ronnie Hoare is almost as much a Ferrari "legend" in the UK as is Commandatore himself, Enzo Ferrari.

Col Hoare admitted yesterday that it was "with more than a touch of sadness, therefore, that after 27 years of handing over the wheel of Maranello Concessionaires, the company he founded to import the Italian sports cars, to Tozer Kemsley and Millbourn, the UK investment vehicle of Mr Ron Ericsson, a New Zealand entrepreneur."

In the £15.6m deal announced yesterday, Col Hoare and long-time partner Mr Shaun Bealey have sold Maranello lock, stock and barrels to TKM, which also has the UK franchise for Alfa Romeo and Daihatsu.

However, they will remain as directors in what appears to have been one of the more amicable takeovers in recent UK motor trade history.

Lawson urged to change tax and NI

BY PHILIP STEPHENS

A PACKAGE of changes in tax and national insurance payments to improve incentives at both ends of the income scale was urged yesterday by the Association of British Chambers of Commerce.

In a submission to Mr Nigel Lawson, the Chancellor, ahead of his Budget in March, the association also called for a further cut in interest rates and for a modest relaxation of fiscal

policy to maintain the pace of demand in the economy. Only a slight increase in public borrowing could give Mr Lawson scope for tax cuts of more than 50p, it said.

The tax changes and national insurance changes, which the association said should be treated as a single integral package, would focus on tackling the poverty trap for low-income workers and on bringing

down the highest marginal rates for the better-off.

The first element would be to remove all national insurance contributions on the first £41 at the same time, the upper earnings limit on contributions should be abolished. That would involve much higher contributions for the well-paid but such a move could be balanced by a reduction in the top rate of tax to 40 per cent.

In November Mr McAlpine warned the miners the colliery would close after January 11 if the 4 tonnes per man shift level. Seafield will lose £11m in the current financial year.

Union leaders say the miners were demoralised by the uncertainty generated by British Coal over the future of the pit.

BR to sell Travellers Fare 'this year'

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

TRAVELLERS FARE, British Rail's profitable seasonal holiday business, is likely to be sold to the private sector later this year.

The British Railways Board said yesterday that no decision has been made on the long-term future of the company, which reported a surplus of £6.5m last year on turnover of

£67.7m.

It is understood, however, that the board has decided in principle to sell if a suitable offer is made.

It was announced yesterday that local managers had retained 70 per cent of station catering outlets for which private tenders were invited last autumn. Private bidders took only 21

of 96 sites put up for tender, compared with 68 retained by the board last year. The future of seven sites has still to be resolved.

The tendering was the first part of a three-stage programme in which managers at all 342 Travellers Fare sites would be exposed to competition.

OfTel reluctant to withdraw BT Talkabout line

By David Thomas

THE OFFICE of Telecommunications, the industry's regulatory body, is doubtful whether it should try to ban Talkabout, the British Telecom service which allows up to eight strangers to talk to each other on the phone for a premium charge.

Lord Young, the Trade and Industry Secretary, wrote to OfTel last week seeking an urgent report on Talkabout. There have been allegations that some children have run up large bills and that it has been used for immoral purposes.

Professor Bryan Carsberg, OfTel director general, in a preliminary reply to Lord Young yesterday, disclosed that he had received a number of complaints about Talkabout. However, he also said that the service might be of value to lonely, isolated or disabled people.

Hymac hydraulic digger business sold for £3m

BY NICK GARNETT

THE FAMILY-OWNED Brown construction machinery group took a further step on its acquisition trail yesterday with the purchase of the Hymac hydraulic excavator business from BM Brown, which has its headquarters at Pool, North Yorkshire, is believed to have paid about £3m for the Walsall excavator maker. BM, a quoted company, acquired Hymac from Kopton Engineering Industries two years ago.

Mr Gordon Brown, managing director of the Brown group, said yesterday that he intended expanding production of Hymac as Walsall.

The Brown group had no manufacturing six years ago and its £12m sales derived

almost solely from its franchise to sell the Mory range of articulated dump trucks.

Since then it has bought the Mory company, including its production site in Norway. It negotiated a deal last year to make dump trucks on behalf of Komatsu of Japan and is expecting to make 680 trucks this year.

It also purchased last year the Leicester-based Parker stone-crushing equipment maker from the receiver. Manufacturing stone-crushing equipment has continued at Leicester, which is also making components for the Mory truck.

The group had sales of £70m last year.

Peugeot hopes 405 will win 2% share of market

BY JOHN GRIFFITHS

PEUGEOT TALBOT yesterday announced prices for the Peugeot 405 saloon range, which goes on sale on January 21. Peugeot hopes it will capture significant fleet sales and at least a 2 per cent share of the total UK new car market.

Prices, including all taxes, will range from £7,860 for the base 1.6 litre GE model, to £11,845 for the 1.9 litre GTX

Ralph Atkins on the proposed sale of 100,000 acres of countryside Down the path to private nature

FOR SALE: Up to 100,000 acres of scenic British countryside, rich in flora, fauna and geological specimens. Nature lovers only need apply.

The Government's suggestion that some public-owned nature reserves could be sold has led to a storm of protest from some conservation groups. But it will be some time - if at all - before the For Sale notices are posted.

Yesterday the Department of Environment was anxious to reassure the nature lobby that its proposals would not change the primary function of reserves. They would remain refuges for Britain's wildlife where the natural environment would be preserved.

Strict conditions would be imposed on buyers. These would stop building or conversion to theme parks; other controls would prevent the draining of marshland, excessive use of fertilisers and the planting of coniferous trees.

Yet, in bowing to the need for restrictions to protect Britain's environment, the Government may find its offer is unappealing to the profit, rather than nature, loving private sector.

Moreover, bodies like the Royal Society for the Protection of Birds and the Royal Society for Nature Conservation, which run many reserves, say their resources are stretched. Other conservation organisations are unlikely to see the logic of buy-

ing sites already under careful management.

By the laws of supply and demand, therefore, the revenue raised from a sale may not be substantial. But this is not necessarily the main aim.

For some time Mr Nicholas Ridley, Environment Secretary, has sought to reduce land controlled by public sector bodies. Recent Financial and Management Policy Reviews initiated by his department have examined in detail the property portfolios of the Property Services Agency and English Heritage.

"This Government believes in private ownership," Mr Ridley said on BBC radio yesterday. "You can conserve things without having to nationalise them. This idea that there are people who conserve things and look after them, who are publicly financed and publicly owned, and that there are those other people in the private sector who are simply spoilers, is absolutely wrong."

The scrutiny of the Nature Conservancy Council, which employs about 850 people in Britain's 233 National Nature Reserves, is part of the same review exercise.

Most sites, which vary in size from less than 100 acres to more than 80,000, are either leased or owned under management agreements by farmers, local authorities, or voluntary bodies. The sites that could face



Nicholas Ridley: conservation without nationalisation

down the highest marginal rates for the better-off.

The first element would be to remove all national insurance contributions on the first £41 at the same time, the upper earnings limit on contributions should be abolished. That would involve much higher contributions for the well-paid but such a move could be balanced by a reduction in the top rate of tax to 40 per cent.

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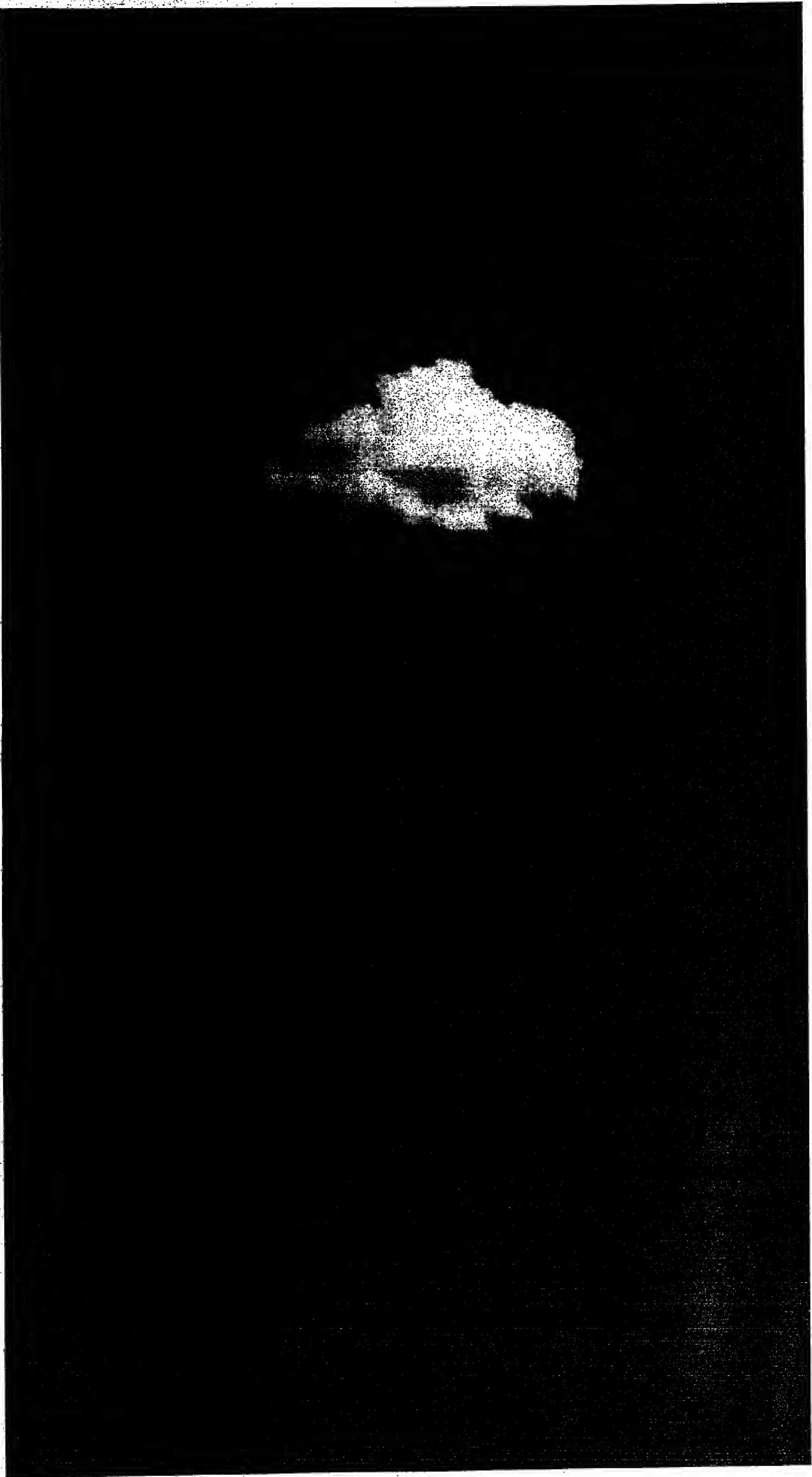
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UK NEWS

Pilkington and BOC back laser surgery venture

BY DAVID FISHLICK, SCIENCE EDITOR

BOC and Pilkington are sharing a \$10m investment in a new Scottish high-technology venture to develop a world market for laser surgery systems. The joint venture combines Pilkington's laser technology, originating with work for the Ministry of Defence, with BOC's international position in health-care already worth about \$500m a year.

Staff in DIY stores 'may miss chances to make sales'

By Maggie Urry

DO-IT-YOURSELF stores appear to be missing opportunities to make sales through a lack of knowledgeable staff, says a survey by Management Horizons, the retail management consultancy.

Interviews with 600 DIY customers carried out last summer suggested that less than half of those entering a DIY store knew exactly what to buy. The others relied on advice from staff and store information leaflets.

Michael Donne looks at British Airways' prospects after the BCal takeover

Airline flies through turbulent merger

BRITISH AIRWAYS expects to earn profits from the merger with British Caledonian Airways by next year, in spite of BCal's operating losses during recent months.



Lord King (right), chairman of BA, talks to Sir Adam Thomson, then chairman of BCal, during last July's merger talks

On change contemplated, however, is for the routes to Saudi Arabia to be brought back from Gatwick to Heathrow, to meet the direct competition from the latter airport by the Saudi Arabian airline.

through eliminating airport costs, staff costs, office rents and other duplicated expenses in the many UK and foreign cities where hitherto BA and BCal have been rivals. These cities include Manchester, Glasgow, Edinburgh, New York, Los Angeles, Tokyo (where BCal's new base is especially heavy), Hong Kong and many European cities.

Rowntree products cut

BY LISA WOOD

ROWNTREE Mackintosh Confectionery, the UK manufacturing arm of Rowntree, the Yorkshire confectioner, is to cease production of two chocolate assortments lines with the loss of 190 jobs at its Norwich factory.

The plant, which employs 1,300 people, makes Weekend and Good News chocolate assortments as well as counter-lines such as Rolo, Yorkie, Mun-

chies and Easter eggs. Rowntree said: "Current sales of the Mackintosh assortments, Good News and Weekend have reached a level at which it is no longer commercially viable to continue with their manufacture."

"Cheerful Charlies" are keen DIY-ers, spending an average £338 a year. They are ready to take on ambitious jobs and seek value for money from stores. They make up 23 per cent of the sample.

Biggest spenders are the "perfectionist Fettes," who make up 16 per cent of DIY-ers. They want quality products rather than cheap materials and spend an average of £403 a year.

CEGB may pipe gas to south-east

BY Maurice Samuelson

THE ELECTRICITY industry is considering building an overland pipeline to supply North Sea gas to power stations in south-east England where it is short of generating capacity.

The plan, still only at the strategic discussion stage at the Central Electricity Generating Board, is to pipe gas from the North Sea to power stations in south-east England where it is short of generating capacity.

The CEGB has not ruled out the possibility of obtaining its increased supplies from British Gas but because of the corporation's negative view about its use in power stations it is considering buying directly from an independent producer.

London & Scottish Marine Oil (Lasmco), one of the leading independent suppliers of North Sea gas reserves, says the CEGB contingency plans are "good news for small producers."

According to the electricity industry, objections to using gas for electricity production are outdated as a result of changes in combustion equipment which can also raise the proportion of gas in its fuel mix.

An alternative to piping the North Sea gas to the south-east would be to use it in turbines on the coast and to transmit the electricity to the areas where it is needed. Another option would be to burn more gas derived from oil distillates.

GEC-Plessey talks progress

BY DAVID THOMAS

GENERAL ELECTRIC Company and Plessey, the two UK electronics companies, are in principle in October to merge their telecommunications equipment interests, expect to have concluded most of the detailed arrangements for their joint venture by next month.

High on the agenda has been the selection of the joint venture's top management to work with Mr Richard Reynolds, head of GEC's telecommunications business, who has already been named managing director of the joint venture.

The only other supplier to increase noticeably its share of the market was John Deere, which lifted it from 13.3 per cent to 15 per cent.

Total sales of agricultural tractors last year rose by 4.8 per cent to 19,639 compared with 18,831 in the previous year. This was the first increase in the market since 1983.

All regions of the UK increased sales except Cumbria and the north-east, and in Northern Ireland, where they dropped by more than a quarter.

Massey, the largest supplier of tractors in the world with a global market share last year of about 19 per cent, blamed general factors for the fall in its UK sales from 3,793 units to 3,274 last year.

Case was accused by the rest of the industry as being the most aggressive discounter, 12 months ago. Massey says it has now taken on that mantle.

Last year Massey introduced its 300 and 3000 range of tractors. Models in the latter range incorporate electronic sophistication and are higher priced than models of similar power from other companies.

Call for action on S Wales

BY Anthony Morston, Welsh Correspondent

REVITALISATION of the industrial valleys of South Wales has to be seen as an economic rather than a social issue, according to a report published yesterday by the newly-formed Institute of Welsh Affairs.

The institute was set up last summer to act as a catalyst to create action on the main issues affecting Welsh life through the publication of studies.

The draft of the report, The South Wales Valleys, an Agenda for Action, was produced by PIEDA, an Edinburgh-based economic and planning consultancy that has worked on urban regeneration, especially in Scotland and the north-west.

The report, which described the area as a collection of unique valleys rather than a homogeneous community, postulates that the long-term aim must be to stimulate the private sector to invest, create new forms of economic activity and provide job opportunities.

The valleys' problems stem from low consumer spending, leading to low-quality shops, poor town centres whose future has been undermined by out-of-town developments, high levels of social deprivation, and a high unemployment rate, especially among young people, and a poor infrastructure in spite of recent improvements and an employee culture in which people have come to depend on the state for work.

The report suggests there should be an initiative to promote community enterprise, a speeding up of the work on reclaiming derelict land, the setting-up of a valleys partnership to provide strategic leadership, road improvements, a sustained drive to improve housing and development of tourism.

In particular, it calls for the co-ordinated regeneration and promotion of Merthyr Tydfil as a focal point at the top of the valleys. The Government should consider moving some of its offices from Cardiff, or even south-east England, to the town to help bring this about.

The South Wales Valleys: an Agenda for Action, The Institute of Welsh Affairs, 21 Park Place, Cardiff.

Local authority finance project

EXCO INTERNATIONAL, the money broking subsidiary of British & Commonwealth, has put together a team to arrange project finance for local authorities - a market it claims is under-served yet growing.

The team, made up of two former local authority employees and a former employment consultant, will operate as part of Exco Capital Markets (ECM).

Director of ECM, managing director of Exco, says the team would arrange finance for housing and other local authority schemes, aided by Exco's presence in the capital markets.

Tractor sales ranking changes

BY NICK GARNETT

CASE-III displaced Massey-Ferguson last year as the second largest seller of agricultural tractors in the UK.

Ford New Holland easily kept its top slot, capturing 24.6 per cent of the market against 24.4 per cent in 1986, according to figures from the Agricultural Engineers Association.

The only marked shift in the order was the slide of Massey's share to 16.6 per cent from just over 20 per cent in 1986. Case raised its share from 18.4 per cent to 20.9 per cent.

The other supplier to increase noticeably its share of the market was John Deere, which lifted it from 13.3 per cent to 15 per cent.

Total sales of agricultural tractors last year rose by 4.8 per cent to 19,639 compared with 18,831 in the previous year. This was the first increase in the market since 1983.

All regions of the UK increased sales except Cumbria and the north-east, and in Northern Ireland, where they dropped by more than a quarter.

Massey, the largest supplier of tractors in the world with a global market share last year of about 19 per cent, blamed general factors for the fall in its UK sales from 3,793 units to 3,274 last year.

Case was accused by the rest of the industry as being the most aggressive discounter, 12 months ago. Massey says it has now taken on that mantle.

Last year Massey introduced its 300 and 3000 range of tractors. Models in the latter range incorporate electronic sophistication and are higher priced than models of similar power from other companies.

The report suggests there should be an initiative to promote community enterprise, a speeding up of the work on reclaiming derelict land, the setting-up of a valleys partnership to provide strategic leadership, road improvements, a sustained drive to improve housing and development of tourism.

In particular, it calls for the co-ordinated regeneration and promotion of Merthyr Tydfil as a focal point at the top of the valleys. The Government should consider moving some of its offices from Cardiff, or even south-east England, to the town to help bring this about.

The South Wales Valleys: an Agenda for Action, The Institute of Welsh Affairs, 21 Park Place, Cardiff.

Peter Marsh on the dispute between research-based and generic drug companies

Finding a cure for the ills of drugs makers

THE DATE March 9 1988 is marked in red in the diaries of executives in the 10 or so UK companies which sell generic copies of branded drugs.

That day is four years before the patent on Tagamet, a best-selling anti-ulcer drug, runs out, and from then companies will, in theory, be free to sell look-alike versions of the medication.

This state of affairs, which has led to a whirl of activity among companies anxious to claim for themselves part of Tagamet's UK sales of about \$50m a year, is due to a legal anomaly which effectively cuts the patent protection on certain products on which patents were taken out before 1978.

The research-based, drugs industry in Britain has argued for several years that the so-called "licence of right" anomaly, which results from legislation in the 1970s to bring UK patents into line with pan-European law, is unfair.

It has won government support for the removal of the loophole, which is provided for under the Copyright, Designs and Patents Bill due to be

debated at committee stage in the Lords today. Assuming that the bill proceeds through parliament as planned, the anomaly should be removed by the summer.

Behind the arguments lies a dispute, which in recent weeks has become noticeably more heated, between the research-based and generic sectors of the UK industry.

The generic industry's products contain basically the same chemicals as their branded counterparts but are made and packaged differently and are usually cheaper. It may also raise the proportion of gas in its fuel mix.

An alternative to piping the North Sea gas to the south-east would be to use it in turbines on the coast and to transmit the electricity to the areas where it is needed. Another option would be to burn more gas derived from oil distillates.

often alleged, harm the profitability of the research-based sector by bringing into production cheaper copies of medications before the mainstream companies have had time to recoup their development expenditures.

For their part, the generic companies maintain they perform a vital role through helping to reduce the cost of a national health service. Sales of generic formulations have grown strongly in recent years to reach about \$200m annually or roughly a 10th of the NHS drug bill.

The generic drugs industry comprises a broad range of companies, including a few long-established, independent concerns such as Evans Medical and Thomas Kerfoot and others which are owned by the research-based drugs companies themselves.

The generic companies might have to conduct expensive new tests on look-alike versions of Tagamet before they obtained the necessary licences to sell their products.

Under the licence of right procedure, a generic producer can ask a mainstream company to give it a licence to produce a copy of a branded formulation four years before the patent expires.

The research-based company is forced to comply with this procedure, as part of which the generic concern has to agree to give a royalty on sales, although in practice many of the big companies spin out the negotiations as long as possible to limit the impact on their own marketing medicines.

The licence-of-right discussions concerning Tagamet have been especially contentious. The drug is one of the UK's top selling medicines.

Last month Smith Kline & French Laboratories gained a court judgment which has the effect that generic producers might have to conduct expensive new tests on look-alike versions of Tagamet before they obtained the necessary licences to sell their products.

The ruling followed from a judge's decision that drug trials data supplied to the DHESS, the

UK drug licensing authority, by the US concern was the property of the company and could not be used in granting licences to rival concerns.

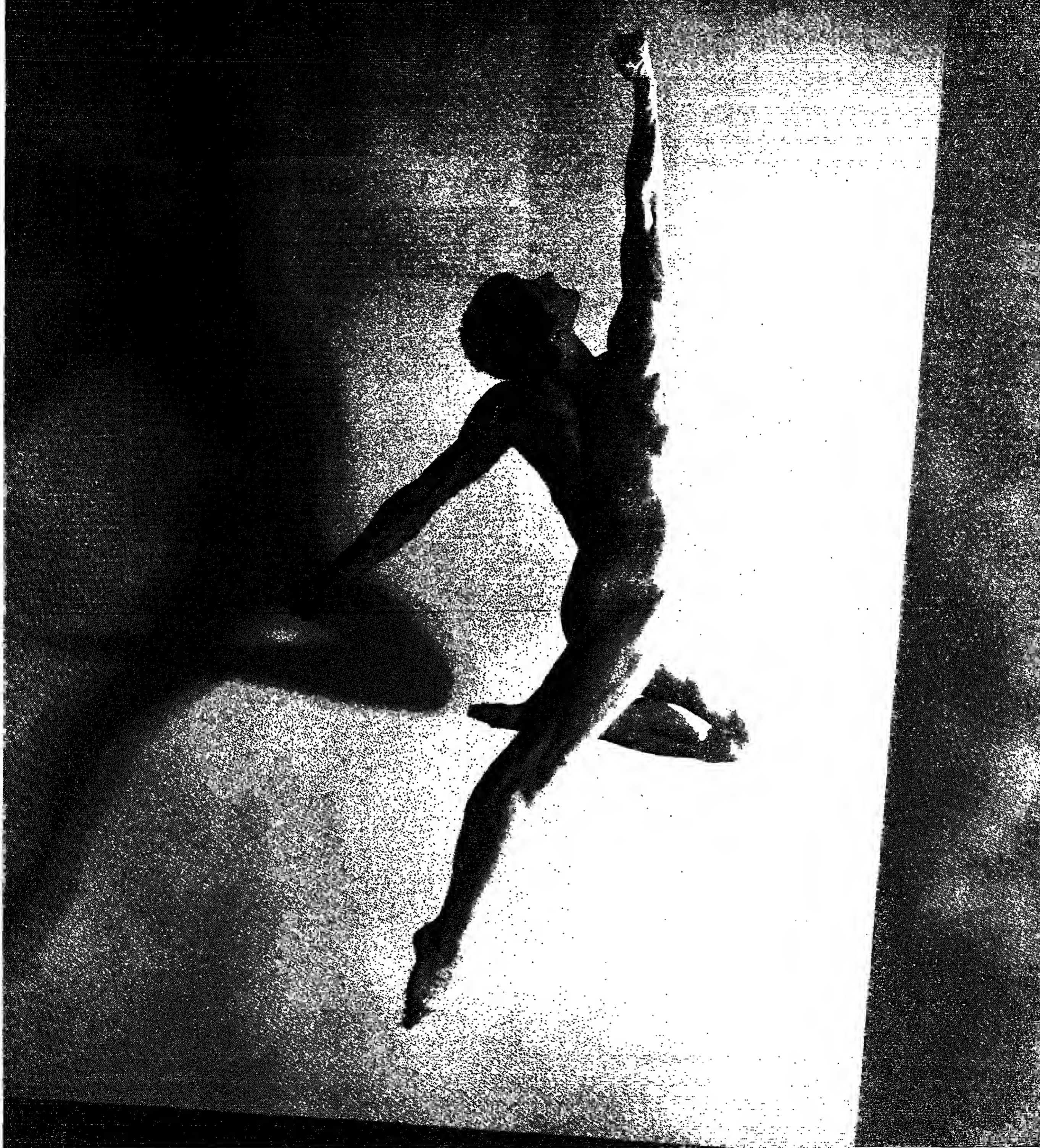
If the judgment, which is subject to a possible appeal by the DHESS, were to be applied to the general case of product licence, it could greatly reduce the activities of the generics companies.

This was obviously what Upjohn, a big US research-based drugs concern, had in mind when last week it served notice that it would seek to make the ruling apply retrospectively to an anti-ulcer drug called Halcion on which a licence of right has already been granted.

Advertisement for FT Financial Times Conferences, Cable Television and Satellite Broadcasting, London 17 & 18 February, 1988.

Advertisement for British Business magazine, featuring 'THIS WEEK IN BRITISH BUSINESS EXCLUSIVE GOVERNMENT AND BUSINESS: LORD YOUNG DESCRIBES HIS ENTERPRISE CAMPAIGN'.

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TECHNOLOGY



Alan Cane explains how senior management's resistance to computers is being broken down by the Macintosh

JUST WHEN IBM, the Goliath of personal computing, seemed to have the match in its pocket, little David has bounced back off the ropes to deal a telling blow.

Compelling evidence is emerging in the US and Europe that the productivity of white collar workers increases more dramatically if they use personal computers with features designed to make them "friendly" - such as Apple's controversial "Macintosh" family - rather than the industry workhorse, the IBM PC, with its formal, data processing approach.

A clutch of research projects and case studies now suggests that the Macintosh approach may prove the best answer to one of the least tractable problems in promoting information technology in business - how to persuade senior managers and executives to use computers themselves rather than relegating their use to junior and secretarial staff.

The Macintosh, launched in 1984, was the first low-cost personal computer to feature "icons" (small pictures on the screen representing activities such as filing or word processing) and the "mouse", a screen pointer controlled by rolling it over the desktop.

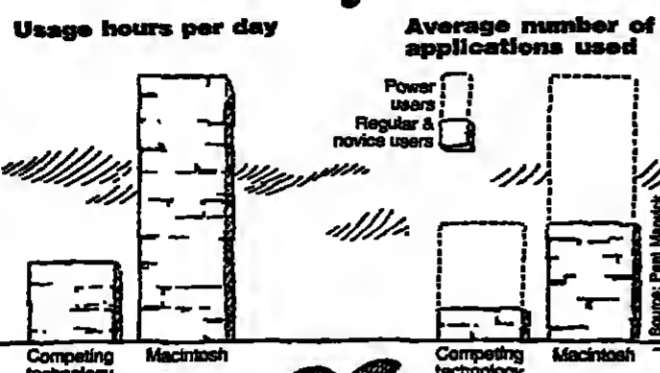
Derived from ideas developed in the early 1970s by the Xerox organisation in Palo Alto, it was a breakthrough in computing for non-experts but it was not a success in the business world. It was small, under-powered and a little like a toy. The IBM PC, launched three years earlier, already had a tenacious grasp on the corporate personal computer market. In 1986, IBM had some 40 per cent of the worldwide PC market, with Apple in second place at just over 13 per cent.

In the past two years, however, anecdotal evidence has suggested that the Macintosh has established itself firmly in the business sector as the personal computer of choice with executives and occasional computer users who were put off by the complexity of IBM's PC/DOS operating system. Now the evidence is firming up.

In the US, interim conclusions from a study by Pest, Marwick Main, the management consultants, suggest that in personal computing, ease of use promotes use.

"Productivity, quality, efficiency and effectiveness gains are reported by all levels of white collar workers from

Keyboard-shy executives lose hearts to the friendly Mac



vice-presidents to clerks," says the study. "Knowledge (white collar) workers, particularly, experience improved creativity, power of communications and quality of work life."

In the UK, the first conclusions are beginning to emerge from a pilot project involving networked Macintoshes and IBM PCs carried out at Trustee Savings Bank (TSB) headquarters, and monitored by the management consultants, PA (see accompanying article).

Jack Large, controller of financial services develop-

ment for the TSB says: "As of today, I believe the Macintosh is the most effective executive workstation available."

The image of Apple - an iconoclastic, hard to manage company - and the Macintosh remain a problem however.

The company is "clearly a maverick in the computer industry," according to Gartner Group analyst Douglas Cayne. "Many people will not even consider Apple because of its image, refusing even to find out what a Mac really is."

But commercially, the tide seems at last to be turning.

Cayne argues that the Macintosh reached a critical level for viability in number of users and number of available software programs a year ago. There are now more than 1.6m users worldwide and Apple sells more Macs than any vendor, except IBM, sells personal computers.

Among the conclusions from the Pest Marwick study, one of the most detailed ever undertaken of the benefits to be gained from using a particular model of personal computer, is the ease of use of the Macintosh. The Mac seems to promote greater use of the machine than what the study terms competing technology - in other words, IBM PCs running PS/DOS as the operating method of working, and which seems to validate productivity claims for the Apple Macintosh.

Based both in the TSB's headquarters in Milk Street, London, and in its Milton Keynes offices, the project was designed to automate the work of a group of people in the bank's financial services development (FSD) department as it brought a new (and still confidential) financial product to market.

A review of the project - which the TSB calls "team systems" - by the management consultants PA concludes that real savings were made.

While Apple has a commercial advantage at present, as the pioneer of Macintosh technology, the competition is catching up.

Digital Research's Gem software makes current IBM PCs look like a Macintosh. IBM's next generation operating system OS/2 for its Personal System/2 machines will have a facility called Presentation Manager which to all intents and purposes confers the benefits of Macintosh technology.

The launch of Presentation Manager, however, is still a year off. Little David will no doubt continue to use his slingshot to best effect while the summation is at hand.



Imaginative use of Macintoshes by Jack Large (far left) and Haydn Taylor resulted in significant cost savings during the TSB project. Fewer secretaries were needed and the project team itself was smaller than most banks would consider necessary for providing equivalent results.

Why TSB said yes to Apple power

THE TRUSTEE Savings Bank, a recognised pioneer in electronic banking systems, is almost a year into a pilot project in office automation which opens the prospect of a new and more effective method of working, and which seems to validate productivity claims for the Apple Macintosh.

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and presentations and the assimilation of masses of documentation without extra staff.

Jack Large, FSD controller, reckons that the "new approach has cut the time taken to bring a new product or strategy from initial idea to the promotion stage from several months to several weeks."

Team Systems grew out of a belief within FSD that it would function more efficiently if it shared work better, cut out duplication of effort, improved communications and made better use of the available space and equipment.

The starting point was that there are two principal ways in which staff in offices operate: team working, where a group works on a project or problem, and chain working (accounts or personnel are examples) where individuals work essentially as part of a production system.

FSD fits in the first category. It generates ideas for new products and group strategies, identifies problems in their development, analyses solutions, identifies alternatives and finally chooses and promotes the best option to the group's senior management. Key activities are high quality document production and distribution, and fast and reliable communications.

Many of the group's work problems could be overcome, Large and Haydn Taylor, the group systems controller, reasoned, if each member of the

group had a personal computer and was connected by telecommunications lines to every other member ("connectivity").

TSB has a strict rule, however, that only IBM PCs or PC clones are permitted in the company.

There was a well-recognised reluctance among some of the IBM staff to become involved in traditional IBM-style personal computing. Large, an Apple enthusiast, argued persuasively that the barriers might be broken down if Macintoshes were accepted as the personal computer of choice.

His view was accepted, the IBM-only rule was bent, and in April 1987 the project went live, linking both Macintoshes and Olivetti PC clones in a complicated system involving both local and wide area networks.

Large's belief in the Macintosh as a "friendly machine" was vindicated. PA reports that members of the group were getting benefits from the system, without much training, in three weeks. Some members of the group were using the system for up to 75 per cent of the working day compared with conventional office automation trials where 25 per cent is exceptional.

Group members use a small number of powerful pieces of software including "More", an ideas processor developed by Living Videotext of the US. "The most exciting software I've seen so far" Large

enthusias. Other programs include Microsoft's "Excel" spreadsheet and "Omni" relational database software from the UK company Rhyth.

Connectivity remains, Haydn Taylor accepts, the chief headache although the group has gone a long way to curing it. TSB's own telecommunications engineers suggested waiting until international standards for the interconnection of computers of different makes (Open Systems Interconnection or OSI) arrived before attempting the Team Systems link up.

In the end he was able to link the team together using a mixture of Apple and Digital Equipment networking methods linked into YesNet, the TSB's high-speed data highway and some special software written by TSB computer specialists. It means that messages, documents and figures can be shunted round the FSD group at high speed - but there is some way to go before it can be applied to the whole organisation.

What the Team Systems pilot has pioneered is a rapid approach to the introduction of office systems, giving team members speedy access to a range of powerful and sophisticated computer based tools. And at low cost: the whole TSB experiment has cost only about £50,000, including hardware.

The friendliness of the Macintosh seems to have played a large part in the speed with which a totally new way of working was accepted.



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Date: 5 January 1988

Signed: R E C Cook
 Joint Administrative Receiver
 Cork Quay
 St James's House
 Charlotte Street
 Manchester
 M1 4DZ

MANAGEMENT EDUCATION AND TRAINING

Publication date 22 March 1988
 Copy Date 8 March 1988

The Financial Times proposes to publish this Survey on the above date. A number of areas will be covered including:

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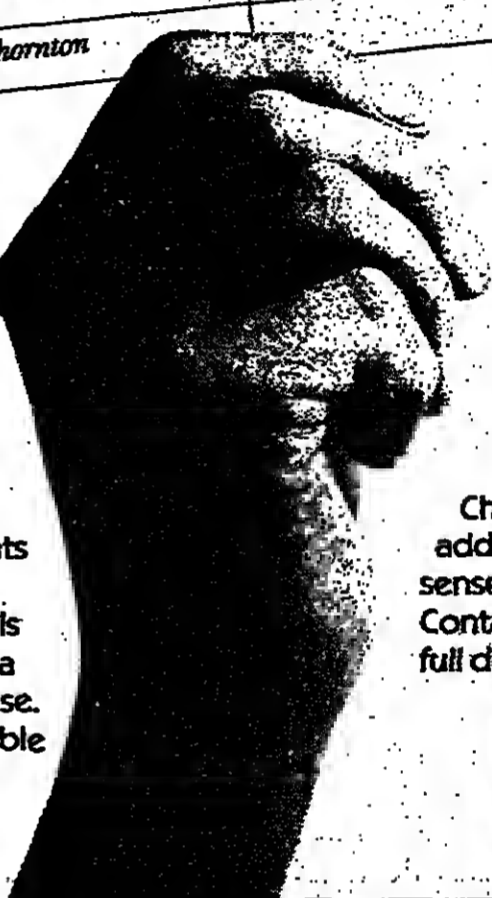
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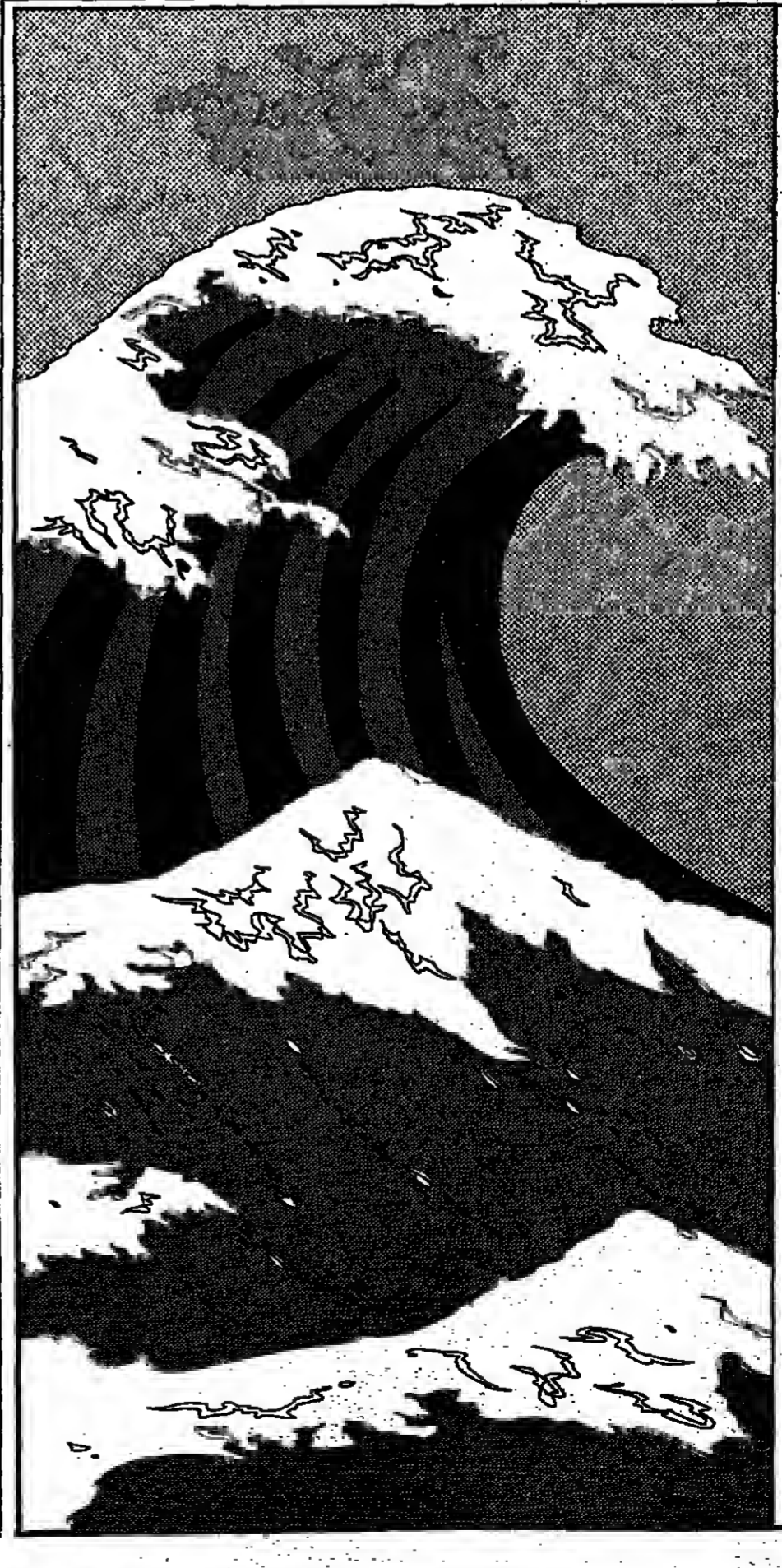
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MANAGEMENT: Small Business

Government initiatives

How France puts innovation on the map

BY CHARLES BATCHELOR

TAKE A journey on one of France's high speed TGV express; watch a Paris businessman use his desk-top...

But while new technology is as much in vogue in France as it is in the rest of Europe...

Government attempts to rationalise support for industry and to improve the climate for small business...

But while overall funding for ANVAR has been cut, the agency has acted on government instructions to increase its support for smaller companies...

Set up primarily to ensure that patents and the expertise developed in government laboratories were put to commercial use...

financial support and managerial advice to encourage innovation by industry.

The agency's support usually takes the form of interest-free loans, normally for up to half the cost of the project...

The agency will, for example, help a company finance the cost of calling in design or marketing consultants for a new product...

It will also fund the investigation of a product or its potential market to allow a project to move from the stage of an idea...

The sums devoted to smaller companies fell slightly to FF689m (£69m) in 1986 from FF706m the year before...

Set up primarily to ensure that patents and the expertise developed in government laboratories were put to commercial use...



FF65m, nearly twice the 1986 figure.

Allys turned to ANVAR in 1986 for funding to help develop a compiler, a programme which allows a computer to translate instructions into computer-usable form...

ANVAR jibbed slightly at funding a programme to enhance a software product - rather than develop a completely new product...

Other official assistance has come in the form of development contracts - funding which is repaid in the form of royalties when a product is brought to market...

Support for software

ETIENNE MOREL, (above), managing director of Allys, reckons his company has received about 20 per cent of its funding from technology support schemes...

Allys, based in La Celle Saint-Cloud to the west of Paris, is developing software applications of a computer language, Ada...

Ada was developed by the three men when they were still employed in the research centre at CII-Honeywell Bull...

Of 22 companies backed by ANVAR in the late 1970s and tracked to 1987, 35 per cent had failed, while 38 per cent were judged successful...

But innovators face higher than average risks, according to Christian Marbach, managing director of ANVAR. The fact that they do not have a markedly higher failure rate...

UK innovation

A way out of the gloom

By Charles Batchelor

SMALL FIRMS in Britain are failing to innovate. This is not because of a shortage of schemes to promote new products and processes...

This is the conclusion of a report, Promoting Innovation in Smaller Firms, from the CBI. These findings are undoubtedly gloomy, but this may well be due to the fact that the study team concentrated on companies in traditional industries...

However, it did also look at companies developing a new product or a new technology, where innovation was vital, and at companies in an established but specialised market where continuing innovation was equally central to survival.

The study suggests ways of improving the innovative performance of small businesses in the areas of marketing, personnel, information and finance.

Marketing was considered the key to innovation but many failed to understand its strategic importance or lacked adequate market intelligence, the report says.

The Government had launched a Support for Marketing scheme in 1986, providing subsidised advice to small companies - but had failed to fund it adequately.

As well as urging small company managers to make more use of MSC training schemes, the report calls on universities and colleges to encourage students to join technical projects in small firms...

colleges. Universities should encourage staff members to spin off high technology enterprises by fostering links with enterprise agencies and venture capital funds.

To make academic research more accessible to small companies and reduce the cost of making use of databanks the report suggests subscriptions should be bought by the government's Small Firms Service.

Larger companies should band together to form "technology networks" which would allow members to exchange information and expertise on the lines of a scheme already operated by the North West Association for New and Improved Technology.

The report also urges the creation of an "exchange and mart" service to exploit ideas which large companies or academic institutions cannot develop. This would be a mechanism to identify such projects and then arrange to exchange the technology between interested parties.

*From £3 from CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU.

Leash loosened on Loan Guarantees

SOPHIE MIRMAN, enterprising founder of the British Sock Shop chain, is one of the better known users of the Government's Loan Guarantee Scheme. But for much of its history...

Under the scheme the Government guarantees 70 per cent of the value of loans made by the banks - up to a maximum of £75,000 - for a 2.5 per cent premium.

First launched in 1981 to encourage the banks to lend to businesses which had exhausted conventional loan channels or which had a slightly riskier proposition to fund...

to businesses which had exhausted conventional loan channels or which had a slightly riskier proposition to fund, the scheme initially met with an enthusiastic response.

The Government has now decided that banks need no longer refer loan applications for amounts of up to £15,000 to the Department of Employment for approval.

But even more significant is a government decision to allow the 2.5 per cent guarantee premium to be paid as a lump sum in advance

which is incorporated in the loan. This will vastly simplify the calculation of the annualised percentage rate of interest on the loan...

National Westminster Bank says it had to write a special programme for its central computer to allow branch managers to calculate the APR on loans under the scheme.

Demand for the loans has been increasing recently from a low point in 1985/86 but they still totalled only £31m in the first seven months of the current financial year compared with a peak of £199m in the whole of 1982/83.

Charles Batchelor

Business Opportunities

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FT LAW REPORTS

Comfort letter binds tin company

KLEINWORT BENSON LTD v MALAYSIAN MINING CORPORATION BERHAD
Queen's Bench Division (Commercial Court): Mr Justice Hirst: December 21 1987

A LETTER of comfort forming an important and integral part of a commercial agreement made for consideration, has contractual status if its wording is apt to create a contract, and if the comforter fails to prove a common intention that it should not be legally binding.

Mr Justice Hirst so held when giving judgment for the plaintiff, Kleinwort Benson Ltd, on its claim against Malaysian Mining Corporation Berhad under a letter of comfort furnished by Malaysian to Kleinwort in support of a loan to Malaysian's subsidiary, MMC Metals Ltd.

HIS LORDSHIP said that in 1983 Malaysian Mining formed MMC Metals as a wholly-owned subsidiary, to operate as a ring-fencing member of the London Metal Exchange. Metals required substantial extra funding. There were discussions between Malaysian and Kleinwort. Kleinwort offered Metals a facility of \$5m on terms that Metals and Malaysian should be jointly and severally liable. It proposed that Malaysian should guarantee the loan.

Malaysian said its policy was not to guarantee its subsidiaries' borrowing. Kleinwort therefore proposed that it should furnish a letter of comfort. Malaysian's directors decided by formal resolution that Metals should be authorised to accept the facility, and that a letter of comfort should be

issued to Kleinwort. The letter of comfort referred to the \$5m facility and stated: "(1) We hereby confirm that we know and approve of these facilities and are aware...they have been granted...because we control...MMC Metals. (2) We confirm that we will not reduce our current financial interest in MMC Metals until the above facilities have been repaid."

The crucial paragraph was paragraph (3). It stated: "It is our policy to ensure that the business of MMC Metals is at all times in a position to meet its liabilities to you under the above arrangements." Early in 1985 the facility was increased to \$10m. On the collapse of the tin market in October 1985 Metals ceased trading, and on November 11 Kleinwort terminated the facility. By that time the full \$10m had been drawn.

Kleinwort demanded immediate payment. It was not forthcoming. Shortly afterwards Metals went into liquidation. Malaysian renounced liability. It said the statements in the comfort letter were not intended to and did not impose any legally binding obligation to support Metals.

The main question for the court was whether the crucial paragraph was contractual in nature. The general principle was that an agreement, though supported by consideration, was not binding as a contract if made without any intention of creating legal relations (see *Chitty on Contracts 25th ed para 123*). In *Edwards v Skyways* [1964] 1 WLR 349 Mr Justice

Megaw said there were cases where an agreement did not give rise to legal rights because the parties had not intended that their legal relations should be affected. But, he said, where the agreement related to business affairs, not social or domestic matters, the onus of proving there was no such intention was on the party who asserted that no legal effect was intended, and the onus was heavy.

In *Chemco Leasing*, unreported July 19 1985 (upheld in the Court of Appeal [1987] FTLR 201), Mr Justice Staughton said with regard to letters of comfort, that when businessmen wish to conclude a bargain but could not agree on some particular aspect, it was not uncommon for them to adopt language of deliberate equivocation so that the contract might be signed and their main objective achieved. In reality, he said, the common intention was that, if all did not go well, the terms should mean what the court or arbitrator decided they meant. "Nevertheless, I must carry out the traditional task of ascertaining what common intention should be ascribed to the parties from the terms of the documents in question and the surrounding circumstances."

The present court had to carry out the same traditional task, having regard to the proper construction of the written words in their surrounding circumstances, and without regard to evidence from the parties or anyone else as to what they thought the contract meant or was intended to mean. Extrinsic

evidence might however be admissible to show that what appeared to be a valid and binding contract was in fact no contract at all (see *Chitty*, para 805).

Mr Waller for Kleinwort relied on *Edwards v Skyways*. He submitted there was a heavy onus on Malaysian to prove there was no intention to create contractual relations. He said all the circumstances pointed to the contrary. Mr Stamler argued that he could satisfy the burden of establishing non-contractual status on three main grounds: First, he said the court started with an equal and opposite presumption, that where ambiguous words had to be construed, they must be construed, *contra proferentem*, and that here Kleinwort was the proponent. The submission was rejected. The *contra proferentem* rule only applied where the wording was ambiguous. Here the wording was not ambiguous.

Second, Mr Stamler submitted that as a matter of construction the opening words of the admittedly contractual paragraph (3) of the letter, "We confirm and the weaker phraseology in paragraph (3), "It is our policy to ensure", showed that paragraph (3) was intended to be non-contractual. Paragraph (3) was unequivocal and categorical. There was no magic in "we confirm". No greater strength would have been added to paragraph (3) if it had begun "we confirm that it is our policy."

The wording of the crucial paragraph was completely apt to constitute a contractual undertaking. Third, Mr Stamler argued that the surrounding circumstances, and in particular the appreciation by both sides that Malaysian was not prepared to accept joint and several liability or to enter into a guarantee, strongly supported displacement of the presumption. He submitted that if the crucial paragraph was accorded legal status, it would be equivalent to a guarantee. That was not accepted. There was a substantial difference between a guarantee and the present kind of paragraph. A guarantee was usually drawn in language the meaning of which was not susceptible to much debate. It usually contained detailed and stringent provisions to facilitate prompt enforcement in case of default. And it usually gave every claim for a precisely ascertainable figure enforceable under Order 14. By contrast, a paragraph of the present kind often provoked debate as to its construction. Order 14 proceedings might be problematical. Moreover the claim would not be for a liquidated sum, but for damages. The underlying premise on which the argument was based was that once a formal guarantee had been rejected by Malaysian there was no further scope for a contractually binding obligation. That was not acceptable. The one simply did not follow the other, particularly having regard to the normal characteristics of negotiations of the present kind, where parties rarely succeeded in obtaining

their full objectives but tried to obtain terms as near as possible thereto. None of Mr Stamler's three points carried conviction. On the other side a number of considerations strongly reinforced the presumption of a legally binding obligation: (a) Kleinwort clearly acted in reliance *inter alia* on the paragraph when agreeing to advance \$5m and then \$10m; (b) it was of paramount importance to Kleinwort that Malaysian should ensure that Metals was at all times in a position to meet its liabilities; (c) it was also treated as a matter of importance by Malaysian's directors, as was shown by their formal resolution.

In business matters it was a prerequisite for defeating the presumption of contractual status that the contrary was also treated as a matter of importance by Malaysian's directors, as was shown by their formal resolution. In business matters it was a prerequisite for defeating the presumption of contractual status that the contrary was also treated as a matter of importance by Malaysian's directors, as was shown by their formal resolution.

The crucial paragraph significantly failed that test. On its proper construction in its context it did have contractual status. There was a plain breach of contract for which Kleinwort was entitled to recover damages. Judgment for Kleinwort for \$10m plus interest. For Kleinwort: Mark Waller QC and Nicholas Padfield (Herbert Smith). For Malaysian: Samuel Stamler QC and Julian Gibson-Watt (Freshfields).

By Rachel Davies
Barrister

Digest of cases reported in the Michaelmas Term

FROM DECEMBER 15 TO DECEMBER 22

Whitely Farm and Stud Ltd v Hemes (Valuation Officer) (FT, December 15)
The ratepayer in the present case argued that buildings used for the raising and keeping of thoroughbred horses were used solely in connection with agricultural operations under section 26 of the General Rate Act 1967 and were, therefore, not liable to rated under the Act. In dismissing the argument, the House of Lords held that although the adjacent land was used for pasture and therefore for agricultural operations, the buildings served a separate purpose and were not used "in connection" with such operations. Moreover, the buildings did not qualify as being used for the keeping of livestock under the Rating Act 1971 as "livestock", by definition, had to be used for the production of food, wool, or for use in farming land. Euro Diam Ltd v Bathurst (FT, December 16)
Euro Diam's managing director understated the value of an invoice on a parcel of diamonds, destined for Germany, in order to mislead the German customs authorities into charging less tax on importation. The diamonds were stolen and Euro Diam claimed under its policy of insurance for which it had insured and paid the full premium. In holding that the underwriters were not entitled to resist Euro Diam's claim on public policy grounds, the Court of Appeal stated that Euro Diam did not have to rely on the false invoice to establish its claim. Euro Diam also did not gain any benefit from understating the diamonds' value so that the defence to its claim, based on the maxim, *ex turpi causa non oritur actio*, failed. Re Textron Inc (FT, December 18)
Textron devised a system for checking against its records whether or not a patent was being abandoned. In the instant case, a mistake was made by an employee of Textron so that a renewal reminder was overlooked and the patent lapsed. Textron sought to restore the patent under section 28 (3) of the Patents Act 1983, which allowed a patent to be restored where its proprietor (a) had taken reasonable care to see that the renewal fee was paid and (b) those fees were not paid because of circumstances beyond his control. In upholding the refusal for restoration under these provisions, the Court of Appeal held that on their ordinary meaning, the omission by Textron's employee was not a circumstance beyond his control and that payment of the fee was not the subject of a duty on his part but a prerequisite of patent's continued existence. *Walters and Others v Birmingham & Others* (FT, December 22)
In a firm solicitors' A final draft of a new deed of partnership was prepared and circulated, and the partners subsequently resolved that pending its adoption, the practice should continue on its terms. Clause 17 gave power to expel in certain circumstances. Mr Birmingham sought to dissolve the partnership while the partners resolved to expel him under Clause 17. In granting a declaration that the partners had validly expelled him, Sir Nicolas Browne-Wilkinson V-C stated that on the true construction of the minutes, the partners had agreed to adopt the final draft for an indefinite period, ending when the new deed was executed. But even if a contrary view were taken and a partnership at will subsisted, in modern professional partnerships with numerous partners, a power of expulsion was commonplace, normal, and essential. If total dissolution were to be avoided when it was necessary to get rid of one unsatisfactory partner.

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ARTS

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Current invocations to the gods

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with the formal qualities of alphabets and letter-forms, the visible structures of language and thus the actual vehicles of ideas...

of the simpler and far bolder presentation of a single, symbolic image with its related, signifying name or text...

The Greek gods also figure specifically in certain of the later works of Barbara Hepworth currently on show at the New Art Centre...

These firms made his name as one of the bright young men of British Pop Art, such as it was either side of 1960...

In his most recent work, Tilson has moved away from the serial and compartmental disposition of his images in favour

of the simpler and far bolder presentation of a single, symbolic image with its related, signifying name or text...

Though apparently close in many superficial ways, the period of her most striking association was very short and in essence their work is quite distinct...

In Tilson's case, whose first training was as a carpenter, the work was more emphatically physical than most, his painted boxes, totems and columns all brightly with the contemporary heraldry of juke box, slot machine, and Am. fair...

He has long been engaged with the formal qualities of alphabets and letter-forms, the visible structures of language...

of the simpler and far bolder presentation of a single, symbolic image with its related, signifying name or text...

The 10 works shown in this choice and elegant exhibition are all domestic in scale, some of them dating from 1951 to 1987 and offer within their small scope a surprisingly comprehensive review of Dame Barbara's range of themes and preoccupations...

"Endless Parade" is the title for four concerts organised by the BBC at the Barbican this week, devoted to the music of Harrison Birtwistle...

Andrew Clements' final tragedy, 'Kore', 1886, by Joe Tilson, seems to me a simple construction, to equal anything in the opera of the last 50 years...

conductor Elgar Howarth mastered the exceptionally difficult score in the theatre was thrillingly recaptured here...

Although the Grand Prix at the 30th Leipzig Festival of Documentary and Short Films for Cinema and Television (November 20-28) - '30 DOK' for short - was awarded to a worthy feature-length documentary...

Arts guide

Opera and Ballet LONDON Royal Opera (Covent Garden). The latest Rossini opera to join the Royal Opera repertoire is L'italiano in Algeri...

PARIS Paris Opera. Opheus aux Enfers is conducted by Lothar Zagrosek with Michel Sénéchal, tenor, dominating the cast...

WEST GERMANY Berlin. Deutsche Oper. Die Fledermaus features Carol Malone, David Kroll and Barry Scheraga...

NETHERLANDS Kristina de Chastel Dance Group with Staudch Groningen, Oosterpoort. (Wed) (13 10 44)

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'Premier Chou En-lai, Mao's three secretaries, Chairman Mao, President Nixon and Dr Kissinger'

'Nixon' in Houston and Brooklyn

John Adams's first opera, Nixon in China, is a gripping and successful work. I didn't expect to be saying so; I thought I'd had my fill of Minimalism after giving up on an attempted second hearing of Philip Glass's Satyagraha...

Nixon. Act 2: Pat Nixon's visit to a glass factory, a clinic, a pig farm (Adams sings Minimus in a Glassy pig-pig-pig-rapped chorus), a school, the Ming tombs...

'Perestroika' at the 30th Leipzig Film Festival

Although the Grand Prix at the 30th Leipzig Festival of Documentary and Short Films for Cinema and Television (November 20-28) - '30 DOK' for short - was awarded to a worthy feature-length documentary...

pathetic approach to a spreading social problem which has as much to do with unemployment in changing times as anything else, is well taken and deserves to be compared with similar documentaries being produced in the west...

Mahabharata to be seen in UK

Peter Brooks' interpretation of the Indian epic 'Mahabharata' will be seen in the UK after all, thanks to a grant from the Arts Council...

The future of Kent Opera seems assured following the announcement that Kent County Council is to financially support the company. Last summer the Arts Council announced that unless Kent Opera could raise £200,000 through its own efforts its grant would be terminated...

Willy Russell play for West End. Willy Russell's new play Shirley Valentine, starring Pauline Collins and directed by Simon Callow, will open at the Vandyke Theatre on January 21.

FINANCIAL TIMES

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Tuesday January 12 1988

Mr Takeshita in Washington

THERE IS one thing that Mr Noboru Takeshita, the Japanese Prime Minister, could do in Washington this week to please his hosts. He could announce the end of all protection now affecting US agricultural exports to Japan. He will not do this; no should he on a purely bilateral basis. Rather than offering presents to the US, in the manner of his country, he ought to be there receiving grateful American thanks and even handing out some advice of his own.

There is indeed a big difference between this maiden visit by Mr Takeshita and the several by his predecessor, Mr Yasuhiro Nakasone. Mostly, Mr Nakasone was obliged to deploy his considerable political skills to keep the US sweet while pushing through a number of necessary reforms at home. His ace card was his personal relationship with President Reagan.

Mr Takeshita, on the other hand, has no need to establish a similar rapport because Mr Reagan is in his last year of office. But, more important, there is in a position to demonstrate to the US that Japan has done much of what has been expected of it.

Alleged barriers

His credit ledger must start with the performance of the Japanese economy. Far more than West Germany, Japan is, on the basis of the last half-year's figures, doing what surplus nations are expected to. The Japanese economy is expanding at a healthy clip, having absorbed the shock of an appreciated yen by promoting domestic demand. Fiscal austerity, while not forgotten in Tokyo, has at least been relaxed with some effective pump priming last year and a budget for the next fiscal year, starting in April, that shows an overall increase of 4.8 per cent. Further stimulus, via the supplementary budgetary process, can be expected. Japanese foreign direct investments are also growing impressively.

The process of liberalising the financial system and opening up Japanese markets has proceeded apace, to the point that a contracting trend in the trade surplus is now discernible. Imports from the developing world and from the European Community

The revising role of the Lords

VISCOUNT Whitelaw will be sorely missed by the British Government. His resignation at the weekend on medical advice leaves Mrs Thatcher without a deputy, without a leader in the House of Lords, without a trusted lieutenant able to assume an authority second only to her own and, above all, without a friendly councillor able to say, with forceful effect, "No, Prime Minister, that simply won't wash."

She may not regret the absence of a deputy (no replacement has been appointed), but her Government's legislative programme will probably run into greater difficulties in the House of Lords under the stewardship of Lord Belstead, the new Conservative leader, than it would have under that wily old fixer, Lord Whitelaw. She has other trusted lieutenants, but none so weighty as "Wilkie" when in the chair of the unofficial public expenditure arbitration committee, or that other key Cabinet committee, home affairs.

Political stature

It is, however, in the role of friendly councillor that Lord Whitelaw will be most missed. This needs explaining, for his attitude has been widely misunderstood. He has not, at least in his most recent years, behaved like a secret "wet," hostile to the thrust of Thatcherite policies. This he would have regarded as disloyal. He has instead chosen to behave, in the terminology of Downing Street, as "one of us" - a tough politician whose aim has ever been to see the Thatcher-led programme carried forward. This has not, however, reduced the sensitivity of his political antennae. Lord Whitelaw has been a most accurate conduit of what will and will not be acceptable to the party, both houses of parliament, and the country.

It is hard to see who will

IF THE Chancellor of the Exchequer decides to seize his opportunity in the coming budget to introduce a tax reform worthy of the name, he will be following the example of a number of Britain's main trading partners. The United States, Australia and New Zealand have introduced big tax reforms in the last few years; West Germany and France have pursued more modest tax reforms; and Japan, which has contemplated drastic overhaul of the tax system but backed down on part or all of the proposal.

What lessons could Mr Lawson learn from these attempts? Of them all, the American example is the most publicised: many Americans and a few Britons have been little short of ecstatic about the US Tax Reform Act of 1986. It is not, however, without flaws.

The claim - frequently made - that the personal income tax has been reduced to the two low rates of 15 per cent and 28 per cent requires a reservation. Over a middle range of income there is, in effect, a marginal rate of 33 per cent as personal allowances are phased out for the better off; once the allowances have gone the rate will drop to 28 per cent again. Moreover, the states also impose income taxes.

The big reduction in personal tax rates in the US was achieved partly by transferring \$120bn of tax burden from the personal to the corporate income tax. There is no agreement amongst economists about who really pays corporation tax - the shareholders, the workers, or the firm itself, as is agreed is that in the end it is borne by people - "business" as such cannot pay tax.

Again, one of the objects of the US tax reform was to simplify the tax system, yet, excepting individual taxpayers at the bottom of the scale, no real simplification has occurred; in particular the corporate income tax, with its minimum tax alternative, is fiendishly complex. Then, too, it is not only the naturally sceptical who doubt whether the reform will last. It faces interest group pressures, which have proved very powerful in the past, and the budget deficit casts an ominous shadow.

Why, then, has the reform been so applauded? Partly because of the dramatic cut in rates; partly because - it is claimed with some justification - the income tax cuts have not reduced the progressiveness of the tax system. The reform was the result of the bargaining of the House and the Senate after all had seemed lost and thus was the more welcomed for being unexpected; and because the reform, for all its deficiencies, was an improvement on the previous system.

Australia has achieved one of the most thorough-going reforms - a big reduction in income tax rates; new taxes on capital gains and fringe benefits; and a new, broad-based corporate income tax. The Government backed down, however, on its proposal for a broad-based consumption tax.

Similarly, Japan came unstuck on that part of its reform which proposed to raise the production of a general sales tax; in the face of the opposition of small businessmen and retailers the Government withdrew the proposals.

In Ireland, the most comprehensive reform proposed from the Tax Commission 1982-85, has failed to lead to government action.

The most successful tax reform of the 1980s has been that implemented by the Labour Government in New Zealand which is now planning

Cedric Sandford, in the second of two articles, sees a great opportunity open to the UK Chancellor in his next Budget

A unique chance for reform

each individual from a revenue neutral package was not wholly clear - but in each case reform may have been helped because almost everyone could identify clear benefits to himself - and usually benefits which increased his range of choice.

A package does not ensure success. The Irish Tax Commission's package was singularly unsuccessful because the Government lacked the political will to implement it. Similarly some element of political will was lacking in Australia and Japan to push through the broad-based consumption tax.

The Australian and New Zealand tax reforms present an instructive contrast. A series of unattractive tax reform proposals by Labor Governments in Australia over the years led Bob Hawke, the Prime Minister, to insist on the need for consensus on a tax reform programme. To this end a "Tax Summit" was held in the summer of 1985 to which representatives of business, trade unions, social service organisations and a few specialist academics were invited.

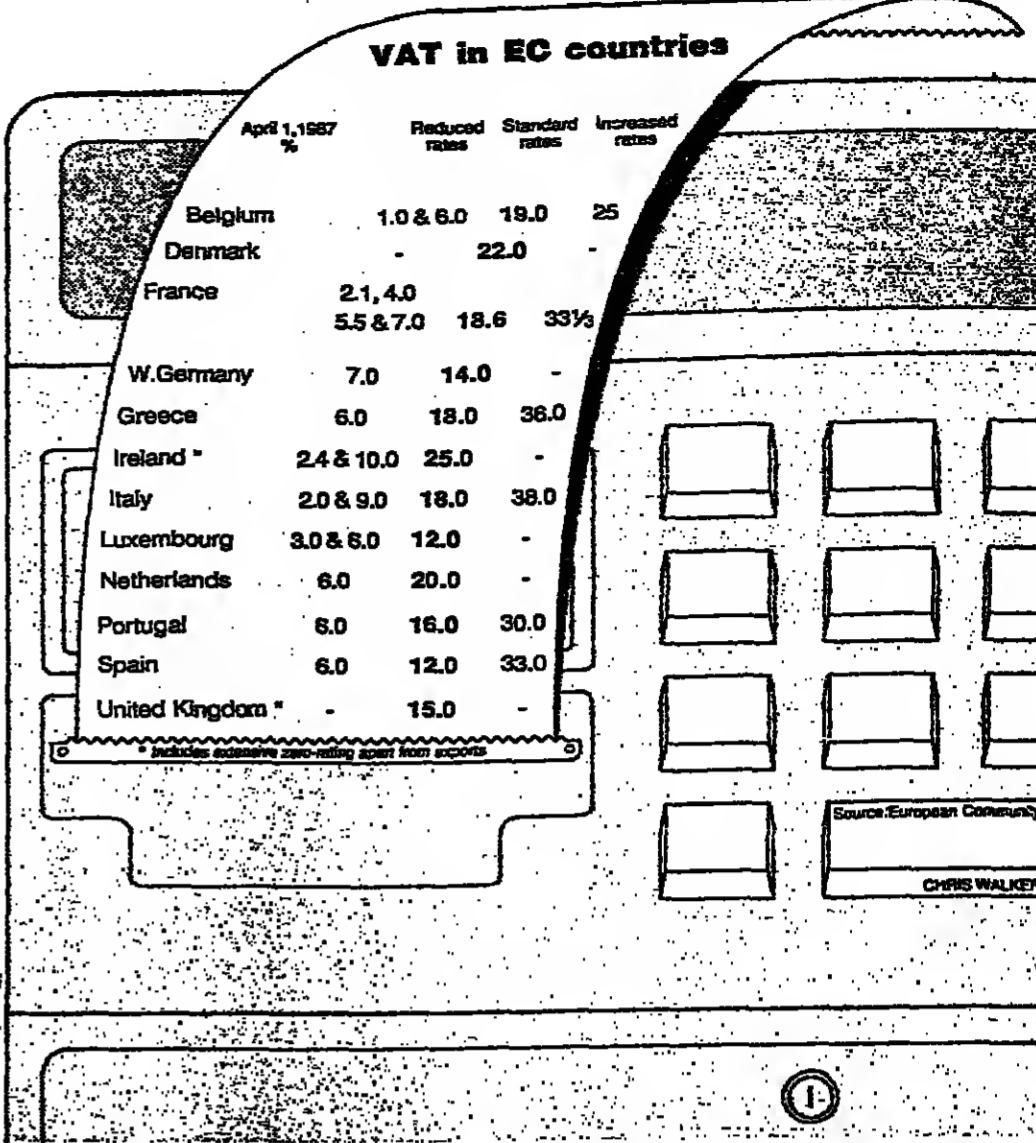
It helps if the tax system to be reformed is obviously rotten

paid by the ordinary working man.

Broadly speaking two approaches to tax reform can be distinguished - the incremental and the package. To civil servants the incrementalist approach is always attractive. It means working in known territory; less danger that tax revenue will fall; less fear of congestion and overwork in the Revenue department. But incrementalism has its disadvantages. It is necessarily slow and, because the losers will shout loudly while the beneficiaries will hardly be aware of their good fortune.

Consider, for example, Mr Nigel Lawson's attempts to widen the base for value-added tax. They have met with very little success. There is no extension was under consideration (for example, the application of the standard rate of VAT to books and newspapers) the affected interests campaigned heavily against it. The only extension that was made where were barely apparent.

Where major changes are needed, a broad package, presented as a single entity, has much to commend it. With a package, as in the US, Australia and New Zealand, the winners are a gainer as well as a loser. The balance of advantage to



reformed is obviously rotten, the most important ingredients of success for major tax reform seem to be a comprehensive package, which may need to include social security provisions as well as tax measures; a Finance Minister who believes in the package and is prepared to stand or fall with it; a Prime Minister who will back up the Finance Minister; and a willingness on the part of the Government to prepare the way and win over opposition.

Mr Lawson, searching for lessons relevant to Britain, might wish to focus on the case of New Zealand, perhaps the most successful tax reformer of recent years. Its success rested on the introduction of a package of income tax and welfare measures, conceived and implemented as an entity in which the key element was a broad-based VAT at a single rate including fuel and clothes, argued for with conviction and determination.

VAT in the UK is on a very narrow base: standard rated items account for less than 60 per cent of consumer spending. While housing and financial services are very difficult to include within VAT, some 30 per cent of consumer spending, including food, fuel, children's clothes, books and newspapers, is excluded on distributional grounds or because they are in some sense considered goods whose consumption should be encouraged.

Both arguments are invalid - or at least there are better ways of achieving the objectives. Certainly the zero-rated items have the effect of making VAT a mildly progressive tax, because the poor spend a larger proportion of their income on them than the better-off. But the rich spend much more in

absolute terms. The Institute for Fiscal Studies estimated that (in 1984) 65 per cent of the benefit from zero-rating and exclusions from the VAT base went to households with above average incomes. The Institute also demonstrated how a combination of higher income tax thresholds, and increased child benefit, pension and social security benefits, paid for by extending VAT at the standard rate to food and fuel, could be used to increase the real net incomes of those below average earnings at the expense of those above.

Not only would a broader VAT base provide the means to improve the distribution of income and remove illogicalities, it would also minimise economic distortions, which cause loss of welfare, and reduce both the administrative and the compliance costs of taxation.

Buoyant tax revenues and a rapidly diminishing public sector borrowing requirement give Mr Lawson a considerable degree of freedom in the coming Budget. Add to that a bold use of VAT and he could at the same time cut the standard and higher rates of income tax, improve the distribution of income and increase the efficiency of the tax system.

It may be argued that the current UK list of zero-rated products is broadly similar to the list of goods to which a reduced rate of VAT (within the range 4-9 per cent) would be applied under the EC Commission's proposals for VAT harmonisation. If the UK imposed a standard rate of 15 per cent on these products it would cut across the Commission's proposals and levying a standard rate on the zero-rated products would mean a substantial rise in the retail price index, which could set off an inflationary spiral.

The man from Havana

As if Wall Street did not have enough troubles, the commercial bank, First Boston, of its last lucrative franchises, the takeover business. At the head of the big bank assault is none other than the blue-chip Morgan Guaranty Trust, and its 42-year-old mergers specialist, Robert Mendosa.

Mendosa, a firebrand of a man, born in Cuba but educated at the Roman Catholic school, Downside Abbey in Somerset, last week staged a coup when he ousted the incumbent, Mr Hoffmann-La Roche in its aggressive \$4.2bn offer for Sterling Drug. Wall Street is buzzing like a wasp's nest. Mendosa pipped out Roche's main investment bank, First Boston, and its master tactician, Mr Bruce Wasserstein. Sterling Drug, which has been a client of Morgan Guaranty, says the bank has had access to confidential information and is acting unethically.

Some bankers are not at all surprised. They say Mendosa is as skillful as any highly-paid Wall Street star, that he is a less and that the Morgan bank is just going back to its roots, when J. Pierpont was America's great corporate power broker before the Glass-Steagall Act bust up his empire in the 1930s. As for Mr Wasserstein, he is said to be plotting the most terrible intervention in the Sterling Drug affair to regain face.

Hanging by silk

The thirteenth Earl Ferrers who was yesterday appointed deputy lead of the House of Lords, has an interesting ancestral past as well as a possibly intriguing future.

The fourth Earl was the last man to be hanged by the silken rope at Tyburn in 1760. "In a paroxysm of rage," the reference books say, "he killed Mr Johnson, his land-steward, was tried and convicted for murder. He had been instructed to

OBSERVER

plead insanity, but - the present Earl says - did it so well that he was judged to be sane.

Not that it has put the family off the despatch penalty. Ferrers said yesterday that he had no objection to it being put on the record that he is in favour of capital punishment.

Also yesterday he was appointed minister of state at the Treasury. One is not quite sure that that was what happened when Lord Whitelaw was still at the height of his powers. Hanging is about to re-emerge on the political agenda.

Marching south

The strains of an Ilkka Moor Bant (southern translation: On Ilkley Moor without a cat) are likely to be ringing out in the Cheapside branch of Yorkshire Bank in the next few days. Graham Sunderland, general manager and chief executive officer has plenty to sing about.

Sunderland, who sings with the Ilkley Choral Society in his spare time, has broken a 128-year tradition to become the first general manager in the bank's history to be appointed to the board of directors.

Yorkshire Bank, owned by clearing banks National Westminster, Barclays, Lloyds and the Royal Bank of Scotland, has altered the Yorkshire on a steady programme of expansion, spreading increasingly southwards at the rate of about seven new branches a year. The latest opened yesterday in Grantham, the Prime Minister's home town where the pennies look after the pounds. The bank was doing brisk trade with 123



new accounts in the day.

He says that there may be a future need to establish some dual head office functions in the southeast, though the headquarters would remain in Leeds.

Graham Sunderland is not the artist with whom we confused him yesterday. "I'm used to it by now, to tell you the truth," he said. He has, however, an artist's eye for detail and claims that introducing of bank employees develops recognisable characteristics. "You can nearly pick out who works for Lloyds or who works for Nat West," he says, not by the width of their pinstripe or their resemblance to a horse or a griffon, but by their adherence to a corporate stance or ethos. In the Yorkshire Bank, of course, it's the flat "a" that gives them away.

Learning curve

With the average life of a Brazilian finance minister now down to under 10 months under the administration of President Jose Sarney, one wonders why Malson da Nobrega has agreed to take up the job.

After all, his predecessors - Francisco Dornelles in 1985, Dilson Fumaro (who banned inflation by decree) 1985-87 and the late Luiz Carlos Bresser Pereira 1987 - have all left the job shaking their heads.

Senator Roberto Campos, who as Planning Minister (1964-67) in effect led the finance crisis, has a theory that Brazil's economic job has now become simply a good starting point for someone with career ambitions.

"Nobrega is only 45," he said. "His job will raise his profile and give him a start in politics."

Bedstead

For those who recall John Belstead, the new leader of the House of Lords, in his first job wielding authority as a prep school master at Selwyn House, Broadstairs, he was best known as a gangling man whose spindly legs were more than exposed when he indulged in his beloved tennis. As John Gannon, who earned the school-boy nickname "Gazooks", but when his father's title was revealed he immediately became "Bedstead".

Right stuff

Some people have no respect for royalty. Ovation Ltd, the Middlesex Bandy toy and fancy goods makers, have launched a new line of Charles and Diana pyjamas bags featuring scintillating miniature effigies of the heir and his wife dressed in their nightshirts.

Ovation managing director Anthony Newfeld said: "I expect the line to be a popular choice in gift shops. I do not expect it to overtake our rubber Californian raisin which has proved a runaway success in the United States."

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CGT still falls foul

From Mr Peter J. Kleeman. Sir, Your editorial (January 8) on taxation is both timely and interesting...

Letters to the Editor

The prudent are heavily penalised

From Mr Louis Parsons. Sir, Your editorial 'Tax challenge for the UK' (January 8) suggests that 'there is milk to be better opportunity for far-reaching structural reform...

First, Israel must be allowed to exist

From Mr L.A. Hoffman. Sir, I was interested to read in your edition of January 7 David Mellor's statement on his return from Israel...

Mellor visit may have helped

From Mr Ansel Harris. Sir, Many here share the international community's anxiety that a just and peaceful resolution of the Palestinian problem be found...



For want of a nail...

From Mrs Mary Smith. Sir, It is my earnest hope that 1988 may become the year of 'Save the Nail'...

PRP is more useful than it appears

From Mr Richard Percival. Sir, Philip Bassett's article (January 8) highlighted the generally poor response to the Government's initiative of profit related pay...

Sign languages needed on a CV

From Mr John Curran. Sir, Poor Gordon Neal, having to assess candidates for jobs on the Continent without 'all the signs by which you judge people in the UK - accents, education and previous employment'...

It would be better to introduce limited competition

From Mr F.R. Bonner. As Martha Hesse, the chairman of the Federal Energy Regulatory Commission, has pointed out, problems have arisen; there will have to be changes...

Easy way to ensure nuclear contribution

From Mr G.J. Hayton. Sir, I am surprised at the ease with which the Central Electricity Generating Board seems to be winning its arguments to remain unchanged on its generating side...

Electricity under privatisation. From Mr Alex Henney. Sir, Mr John Baker's letter (December 22) suggesting that I misrepresented him, and misunderstood his views, is carefully drafted to deflect attention from the fundamental issues...

ONE OF the standard complaints of supporters of the Afghan cause is that, because of its relative inaccessibility to Western news media, Afghanistan gets less international attention than other conflicts...



Avoiding the appearance of defeat

drawal was sufficiently 'front-ended', that is if a big enough proportion of the Soviet troops were to leave during the first phase...

Edward Mortimer reports on the prospects for a Soviet withdrawal from Afghanistan

drawal by the end of 1988 it would have to be less. Ostensibly, then, all that is left to be settled is the degree of 'front-ending' and the duration of the first phase...

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FINANCIAL TIMES

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Sony forced to sell rival video system

BY STEFAN WAGSTYL IN TOKYO The Japanese electronics company which pioneered home video cassette recording with its Betamax system, is to sell VHS-format machines developed by its rivals.

Mr Steve Bell, a Tokyo industry analyst with Salomon Brothers of the US, said it was now almost inevitable that Sony would abandon Betamax. However, Sony denied it had any such plans. "We are biting the bullet. This is not a defeat. We are expanding our product range," the group said.

Sony intends to sell about 5,000 or 6,000 VHS machines a month, against 150,000 Betamax recorders. The VHS machines will initially be made by Hitachi, another Japanese electronics group, and sold first in Western Europe in the spring.

Sony plans to begin making VHS machines in the summer in Japan for launch there and later in the US - probably before the end of the year. The move into VHS has long been inevitable, according to Japanese industry analysts.

Seagram launches FF4.5bn bid for Martell

SEAGRAM, the Canadian drinks group, yesterday launched a FF4.5bn (\$808m) friendly takeover bid for Martell, topping a FF3.9bn offer by Grand Metropolitan, the UK drinks and hotel group, for the venerable French cognac house.

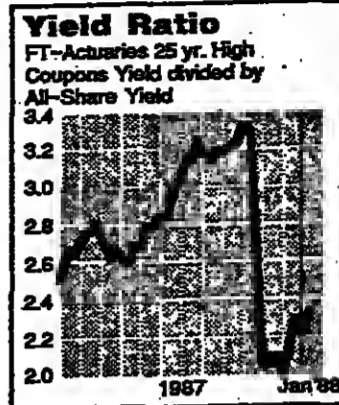
The Seagram bid of FF2,975 a share for all Martell shares was announced by the French Finance Ministry after a meeting yesterday between Mr Emond Balladur, the French Finance and Economy Minister, and senior Seagram officials.

The UK market was betting yesterday that Friday's collapse on Wall Street was not a re-run of October, and so far it seems to be right. There was a tricky patch as Wall Street opened, with every vacillation in New York being matched minute by minute in London; but the basic differences between now and October remain more striking than the similarities, and go beyond the obvious question of equity valuation.

In October, after all the worry ahead of Black Monday was that pressure on the dollar resulting from poor trade figures would lead to a rise in interest rates. This time round, the assumption is that the Fed is still too nervous of recession to contemplate a rise in rates at all. Something of the same logic was detectable yesterday in London. The strength of gilts may have been partly due to the dollar's weakness in the face of intervention, but also owed something to the opening weakness in the equity market - the argument being that while the authorities may want to push UK rates higher, they would not risk it at the expense of an equity collapse.

THE LEX COLUMN

A paler shade of Monday



being offered by Seagram (especially as the conservative accounting of the family-owned group may make the true rating lower than it seems). However, after one more round of 5 per cent increases, the price may look sufficiently long-sighted to call a halt to the leap-frogging. This would be no disaster for the British company, as it would retire with a net profit of over £25m, and might also be able to clinch a satisfactory deal with Seagram over the distribution agreement with Martell. Grand Met showed itself equal to turning such situations to its advantage last year in renegotiating its Posters franchise after Elders' acquisition of Grand Met.

and by so doing has set down an early marker against which other interpretations of the discretionary areas in the proposals can be measured. The Bank stresses that the proposed 8 per cent capital ratio is very much a minimum standard, and it has also taken a slightly more conservative line on the risk weighting attached to home loans. The 50 per cent weighting will only apply to loans secured by first mortgages, which presumably says something about the Bank's prudential concerns about the rapid rise in UK property lending over the last couple of years. The decision not to permit a bank's general provisions earmarked for dud Third World loans, to be counted as capital - even temporarily - indicates that the Bank is not prepared to fudge its principles just to please the Federal Reserve.

Finland And the winner, from the pine forests of the North, the Helsinki Stock Exchange - Europe's best performing stock market in 1987. The era of the global stock market was bound to throw up such anomalies: on the principle that small countries, like small companies, are under-researched and may be undervalued. The present tantalising possibilities to the cosmopolitan investor. Accordingly, the two top exchanges last year were, from their opposite corners of the continent, Spain and Finland. In pesetas and marks terms respectively, their markets rose 9.1 and 30.7 per cent. Then last week, Finland made it into the FT-Actuaries World Indices; after several years of steady economic performance (GDP growth has averaged just under 3 per cent through the 1980s), the Helsinki market seems to have been discovered by investors from the outside world.

But judging from the market's post-crash behaviour, it is a discovery they may regret. Only 15 per cent of the £30bn market is currently open to foreign investment, and the index for that sector of the market has fallen by 40 per cent since Black Monday. In these xenophobic times, foreign investors may be forgiven for preferring more homespun risks. But the market remains fundamentally attractive. Corporate profits are forecast to rise by 20 to 30 per cent in 1988; economic growth will slow, but should not fall much below 2 per cent; and with the market p/e put by Sacey-Mills at 8.8 now against 15 before the crash, this must at least be a better time to buy than three months ago.

Ian Rodger finds a new readiness by Tokyo to counter criticism on eve of US visit

Takeshita polishes Japan's image

THE legendary Japanese skill at focusing attention and energy on a particular target will be put to unequal use today as Mr Noboru Takeshita, Japan's Prime Minister since November, arrives in Washington for a three-day official visit.

Mr Takeshita and his officials know they will face a barrage of criticism for various unfair trading practices and for their slowness in sharing the burden of world problems. But, for once, they are prepared to respond to the criticism with vigour, carrying with them a substantial package of measures rather than promises designed to show US opinion leaders that the country is now doing its share - and more.



Takeshita: will be concentrating on achievements

A few marginal concessions will probably be offered on these items while Mr Takeshita is in Washington, but they are unlikely to inspire the Japanese will ask for patience, saying they have cleared a long list of bilateral trade issues in the past year or so.

"They cannot say we have been dragging our feet," a Foreign Ministry official said. "The Japanese will also be able to advance a couple of complaints of their own, against the recent US legislation discriminating against Japanese products and against the US refusal to lift the 100 per cent punitive import duties on some Japanese products for alleged breaches of a bilateral semiconductor trade agreement. Japan believes any such infractions were eliminated several months ago and so the duties are unjustified."

"We hope this visit will answer the criticism about Japan not playing a more positive role in the world," a Foreign Ministry official said last week. In the circumstances, this image-building campaign is probably the best strategy the Japanese could adopt for this visit.

Two years and that the trade surplus has been falling at double-digit rates for the past seven months. The fact that the trade surplus is still running at a remarkably high level - \$4.7bn in November - will not be emphasised. Meanwhile, it will be stressed that the Government is maintaining its expansionist fiscal stance and that this is helping to maintain growth in the working economy. Public works spending in the 1988-89 budget is set at Y7,217bn (\$56.4bn), 20 per cent higher than the amount in this year's original budget.

ness are stepping up their contribution to the world. The country's aid budget will grow 15 per cent this year to Y700bn (\$5.46bn), putting it on a par with the US aid budget, thanks to the rise in the value of the yen. As a proportion of GNP, it is still below the 0.36 per cent average of Western nations, but the Japanese are talking about revising their aid growth targets upward because of the rise of the yen.

Japanese officials will point out that exports have been declining in volume terms for

In other ways too, the Japa-

problems must be solved.

The bank says that Japanese interest rates will be kept low so that US interest rates do not have to rise and that it will continue to intervene in the foreign currency markets, if necessary, in co-ordination with other leading industrial countries.

Central banks prop up \$

Friday, are not being dismissed entirely - reflecting a high level of nervousness in currency markets. The market seems poised to sell the dollar heavily if a substantial deficit is reported.

Thatcher reshuffles to fill Whitelaw gap

THE British Government yesterday moved quickly to regroup its forces in the House of Lords and made confident claims about its legislative plans amid uncertainties created by Lord Whitelaw's resignation last Sunday on health grounds.

Saudis discount oil price

THE friendly takeover bid by Seagram for Martell is now expected to intensify the battle between the Canadian group and its British rival for the cognac house in what is already turning into a vintage takeover contest in the newly deregulated French financial markets.

Airbus seeks currency cushion

optimistic tone, said last year had been a record for Airbus in terms of new orders, with a total of 327 new orders and options worth between \$20bn and \$21bn. He added that his target was to see Airbus report its first profit in 1995.

World Weather table with columns for location, temperature, and other weather data.

Table with columns for location, temperature, and other weather data.

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CARCLO INTERIM RESULTS. Turnover £'000: 48,879 (1987), 25,744 (1986), 66,540 (1987). Profit on ordinary activities before tax £'000: 3,588 (1987), 1,848 (1986), 5,080 (1987). Earnings per ordinary share of 5p: 5.4p (1987), 4.2p (1986), 9.8p (1987). Dividends per ordinary share of 5p: 1.1p (1987), 0.88p (1986), 3.75p (1987). Shareholders' funds per ordinary share of 5p: 56p (1987), 44p (1986), 48p (1987). Earnings per ordinary share up by 29%. Dividend per ordinary share up by 25%. CARCLO ENGINEERING GROUP PLC. Kirkstall Road, Leeds LS4 2AQ.

RTS INTERNATIONAL
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SECTION II - COMPANIES AND MARKETS
FINANCIAL TIMES

Tuesday January 12 1988

King & Co
 01-493 4933
 7 Stratford Place, London W1N 9AE

Sterling Drug launches lawsuit against Roche

BY JAMES BUCHAN IN NEW YORK

STERLING DRUG, the diversified US pharmaceuticals group which faces a \$4.2bn offer from F. Hoffmann-La Roche, yesterday sued the Swiss drug company and its directors for allegedly breaking US disclosure and insider trading laws in last week's hostile tender offer.

The lawsuit, which portrays Roche as a secretive company using a lax Swiss regulatory environment to further its ends in the US, comes amid ever-clearer signs that the New York company will resist the \$72-a-share offer. Sterling Drug rose 1/4 to \$74 1/2 in early trading yesterday.

The suit, which was filed yesterday with a court in Delaware, Sterling Drug's state of incorporation, alleges that Roche, which is based in Basle, concealed the identity of its controlling shareholders and filed misleading financial statements with the tender offer.

The suit also accuses two Roche affiliates of trading in Sterling Drug stock and options while in possession of "material, non-public information" relating to the offer.

Roche said yesterday that the lawsuit "is entirely without merit" and the company would defend its position vigorously.

Sterling Drug, which markets such well-known over-the-counter products as Bayer aspirin and Phillips Milk of Magnesia, alleges that Roche failed to provide financial statements acceptable under US practice. Sterling Drug also says that Roche is controlled by a group of family shareholders but has not disclosed their identities as required by securities law.

The suit also alleges that two Bermuda companies, Atlantic Finance and Canadian Pharm, holding, are affiliates of Roche and bought stock and options with knowledge of the impending offer between November and last week.

technology and private communications which it regarded as among its core products and which it handled outside the joint venture.

AT&T and Philips are talking to companies in a number of other European countries, including Italy, about joining the joint venture, although decisions on this are not thought to be imminent.

Both AT&T and Philips have been dissatisfied with the failure of the joint venture to penetrate as many European markets as they had hoped since it was launched in 1984.

investments, principally in Kide, compared with \$47m a year earlier. Profits per share were \$13.60 against \$4.01 on sales of \$807.9m against \$334.8m.

Net for the full year was \$277.2m, including a \$108.1m gain from the sale of investments which, in addition to Kide, included a stake in Baschold Chemicals which was taken over by Dainippon Ink of Japan.

The company made no comment on its core manufacturing and insurance businesses which analysts consider are performing in lacklustre fashion. They embrace a wide range of products including aerospace components, engines, electronics and consumer products.

Emhart in \$600m bid to control Stanadyne

By Roderick Cross in New York

EMHART, the diversified US industrial group, has launched a hostile takeover offer worth some \$600m for Stanadyne, a manufacturer of precision metal parts for use particularly in the plumbing and automotive sectors.

Stanadyne's stock soared 17 1/2 to the offer price of \$40 a share in early heavy trading. Emhart asked the company, which had earlier rebuffed a friendly offer, to consider a "mutually acceptable merger."

Emhart said Stanadyne's leading role in the plumbing products market made it a "natural fit" with Emhart's consumer hardware and houseware products. It is seeking a minimum of 7.4m shares, equal to 51 per cent of Stanadyne's equity.

The target company, based in Windsor, Connecticut, earned net profits of \$27m or \$2.61 a share on sales of \$496.5m in the nine months ended September 30, against \$18.7m or \$1.95 on sales of \$372.5m a year earlier. Emhart earned \$80.1m or \$1.28 on sales of \$1.79bn in the nine months ended September 26. Stanadyne's most profitable division is growing rapidly thanks to increased geographical distribution, greater penetration of existing markets and a wider product line. Profits are benefitting from wider margins and investment in plant.

In contrast, the company's precision products division, which makes automotive engine parts, continues to struggle in the aftermath of a long strike in 1986 and low demand in some of the agricultural and construction machinery sectors. Emhart has made two other big takeovers in just over 12 months, but unlike Stanadyne both were outside its core businesses.

BANK OF ENGLAND NOT TO ALLOW £3BN PROVISIONS AS PRIMARY CAPITAL
Bank toughens stance on capital levels

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

THE BANK OF England is to take a tough line in implementing the accord on bank capital proposed by international banking supervisors last month. In an explanatory paper yesterday, the Bank said it viewed the standards as a minimum for UK banks. It also intends to use the discretion national supervisors will have to apply tougher standards under the accord.

The accord, issued by the Basle-based Bank for International Settlements on December 10, is intended to provide a common regulatory framework for all banks in the world's leading industrial nations by 1992. It defines capital and says how much of it banks should have.

The Bank of England says it will not allow banks to count in their capital the £3bn (\$6.4bn) of general provisions they have made against doubtful Third World loans. This is because these provisions do not meet the definition of capital, which is that it be readily available to meet any losses which banks may incur.

Although the Bank had been expected to take this position, it reinforces the firmness of the UK line on one of the most controversial issues of the Basle plan. It is in contrast to the US where provisions can still be counted as primary capital. UK banks will, however, be allowed to include a portion of their other provisions in a second tier of capital, up to certain limits.

The other main points in the Bank's paper are:

- Banks holding other banks' capital in the form of securities
- Interest rate and exchange rate instruments such as swaps
- Supervisors have a choice how they can calculate the credit risk on these. The Bank intends to make banks mark them to market regularly, as they do now.

The Bank is the first signatory to the accord to produce its own explanations. This is

because the Bank has been at the forefront of thinking on the co-ordination of international banking supervision. But the Bank was also keen to set a firm line while other countries are still considering their responses.

The Federal Reserve's comments will be particularly important because the US will have to make arrangements to exclude Third World debt provisions from capital - a move which will be highly unpopular with US banks. A Fed spokesman said yesterday that its response would not be published for some weeks.

France, Germany and Japan are also likely to be among countries which will want to adapt some of the proposals to meet their local concerns.

Lex, Page 20

will have that capital deducted from their own capital base to avoid double counting, in line with UK practice.

Mortgages will be counted at 50 per cent of their value in a bank's balance sheet for capital purposes, but only when they are first mortgages on a primary residence. Although this is tougher than proposed at Basle, it marks a relaxation of UK practice.

AT&T calls for European partners

BY DAVID THOMAS

AMERICAN TELEPHONE & Telegraph, the world's largest telecommunications company, wants other European companies to join its joint venture in public telecommunications equipment with Philips of the Netherlands.

The US company made this clear yesterday as it confirmed that it was taking a larger stake in the joint venture as part of its drive to sell more of its equipment in Europe.

AT&T is paying Philips a sum which it described as significant but would not quantify to increase its stake in the joint

venture to 60 per cent, with Philips's holding falling to 40 per cent.

AT&T intends to inject a broader range of products, including transmission and network management systems, into the joint venture, which is AT&T's vehicle for selling public telecommunications equipment in Europe.

These AT&T products should start to become available through the joint venture later in the year.

Philips said it was reducing its stake because it wanted to concentrate on information

technology and private communications which it regarded as among its core products and which it handled outside the joint venture.

AT&T and Philips are talking to companies in a number of other European countries, including Italy, about joining the joint venture, although decisions on this are not thought to be imminent.

Both AT&T and Philips have been dissatisfied with the failure of the joint venture to penetrate as many European markets as they had hoped since it was launched in 1984.

Allianz-Tokio Marine tie-up

BY HAIG SIMONIAN IN FRANKFURT

ALLIANZ, the leading West German insurance group, has reached a co-operative agreement to represent Tokio Marine and Fire Insurance, Japan's biggest general insurer, in Italy, in what may be the breakthrough for further joint arrangements between the two companies in Europe and the Far East.

Allianz Pace Assicurazioni e Riassicurazioni, an Italian subsidiary of Allianz, based in Milan, is to take over representation for the Japanese group's Italian interests.

Tokio Marine and Fire's Italian operation, set up in 1980 as a branch of the group's London subsidiary, mainly provides insurance for Japanese companies in Italy.

Though no capital is involved, Allianz Pace could take on part of the Japanese company's Italian risk, said an Allianz spokesman. Meanwhile, the two parent companies are now discussing similar co-operative arrangements elsewhere in the world, though no deals have yet been struck.

Such co-operation could be of interest to both groups. Despite their size, start-up costs in insurance are high, and there would be substantial cost savings from joint representation in regions where either Allianz or Tokio Marine were already strongly represented, said the Allianz spokesman.

The two groups already enjoyed an "informal" co-operation in Japan, where Allianz is now represented through a branch of Cornhill, the UK insurance group it bought in 1986.

Apple software unit prepares for debut

By Louise Kehoe in San Francisco

CLARIS, the Apple Computer software subsidiary formed last April, is to make its debut as a software publisher this week with the launch of a range of programs for the Apple Macintosh computer.

By forming Claris, Apple aims to ensure a supply of new software products for its Macintosh computer line at a time when much of the efforts of third-party software developers is directed toward developing programs to run on the new IBM Personal System/2 computers.

Although Apple and Claris have emphasised the independence of Claris and Apple says that it plans eventually to spin off the software subsidiary, rivals view Claris as a formidable competitor.

Claris' initial product offerings include updated versions of most of Apple's original Macintosh programs, including AppleWorks, MacWrite, MacDraw, MacProject, and MacPaint.

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Teledyne shows strong earnings rise

BY OUR NEW YORK STAFF

TELEDYNE, the Los Angeles based industrial holding company, has reported a big jump in profits thanks largely to the sale of its stake in Kide, which was taken over by the US arm of Hanson Trust of the UK late last year.

Teledyne's net profits in the fourth quarter of 1987 were \$158.8m, including a \$76.7m gain from the sale of equity

investments, principally in Kide, compared with \$47m a year earlier. Profits per share were \$13.60 against \$4.01 on sales of \$807.9m against \$334.8m.

Net for the full year was \$277.2m, including a \$108.1m gain from the sale of investments which, in addition to Kide, included a stake in Baschold Chemicals which was taken over by Dainippon Ink of Japan.

The company made no comment on its core manufacturing and insurance businesses which analysts consider are performing in lacklustre fashion. They embrace a wide range of products including aerospace components, engines, electronics and consumer products.

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The company made no comment on its core manufacturing and insurance businesses which analysts consider are performing in lacklustre fashion. They embrace a wide range of products including aerospace components, engines, electronics and consumer products.

Smedvig nears bid for offshore rival

BY KAREN FOSSLI IN OSLO

SMEDVIG DRILLING, the Norwegian-based oil and gas drilling contractor, is understood to have made a bid for a controlling stake in Dyvi Offshore, a rival Norwegian oil and gas drilling contractor.

Trading of Dyvi shares, which are valued at about Nkr8, were yesterday suspended by the Oslo bourse.

Mr Peter Smedvig, president of Smedvig Drilling declined to confirm the deal, but he said that once remaining details were worked out, and when "I know exactly where I stand," the Oslo bourse would be notified.

It is widely assumed in Oslo that Smedvig is to purchase about 12m shares in Dyvi, or about a 40 per cent stake, at a price of about Nkr12 a share.

Smedvig owns two offshore semi-submersible drilling rigs and has four drilling contracts with Norwegian oil and gas field operators.

In 1986 Smedvig had a turnover of about Nkr700m (\$110.4m) and for 1987 it expects turnover to be slightly higher. Dyvi Offshore owns six offshore drilling rigs, two of which are without work.

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New Issue This advertisement appears as a matter of record only January 11, 1988

The Council of Europe Resettlement Fund

for National Refugees and Over-Population in Europe
 Strasbourg/Paris

Fonds de Rétablissement du Conseil de l'Europe
 pour les Réfugiés Nationaux et les Excédents de Population en Europe
 Strasbourg/Paris

DM 250,000,000
Floating Rate Notes with Interest Option 1988/1996

Issue Price: 100%
 Interest: Six-month-Libor payable semi-annually in arrears in January and July
 Repayment: January 11, 1996 at par
 Interest Option: The holder of a Floating Rate Note shall be entitled to select a fixed rate of interest at the interest payment dates in January 1990, July 1990 and January 1991. Upon exercising the interest option the holder shall pay a premium of 0.75%. The Fixed Rate Bonds bear interest at a rate of 6 1/4% p. a. and shall be repaid on January 11, 1996 at par
 Listing: Düsseldorf and Frankfurt am Main (Floating Rate Notes and Fixed Rate Bonds)

Trinkaus & Burkhart Kommanditgesellschaft auf Aktien	BHF-BANK
Banca del Gottardo	Bank Brussel Lambert N.V.
Commerzbank Aktiengesellschaft	CSFB-Effektenbank
Dresdner Bank Aktiengesellschaft	Deutsche Bank Aktiengesellschaft
Industriebank von Japan (Deutschland) Aktiengesellschaft	Deutsche Girozentrale - Deutsche Kommunalbank -
Morgan Guaranty GmbH	DSL Bank Deutsche Stadt- und Landesbank
Société Générale - Elsässische Bank & Co.	Kreditbank International Group
	Samuel Montagu & Co. Limited
	Morgan Stanley GmbH
	Schweizerischer Bankverein (Deutschland) AG
	Westdeutsche Genossenschafts-Zentralbank eG
	Westdeutsche Landesbank Girozentrale

These Bonds having been sold outside Great Britain, this announcement appears as a matter of record only.

New Issue January 1988

PRUDENTIAL
Prudential Finance B.V.
 (Incorporated in The Netherlands with limited liability)

Swiss Francs 200,000,000
4 3/4 % Guaranteed Bonds 1988-1998

guaranteed by
Prudential Corporation plc
 (Incorporated in England)

S.G. Warburg Soditic SA

Bank Heusser & Cie AG	Canadian Imperial Bank of Commerce (Suisse) S.A.
Chase Manhattan Bank (Switzerland)	Goldman Sachs Finanz AG
Handelsbank NatWest	The Long-Term Credit Bank of Japan (Schweiz) AG
Shearson Lehman Brothers Finance	Société Bancaire Julius Bär SA
Banca Commerciale Italiana (Suisse)	Bank Leumi le-Israel (Schweiz)
Bank Oppenheimer Pierson (Schweiz) AG	Bank of Tokyo (Schweiz) AG
Bank S.G. Warburg Soditic AG	Banque Bruxelles Lambert (Suisse) S.A.
Banque Paribas (Suisse) S.A.	Banque Scandinave en Suisse
Credit des Bergues	Dai-ichi Kangyo Bank (Schweiz) AG
The Industrial Bank of Japan (Switzerland) Limited	Morgan Guaranty (Switzerland) Ltd.
Morgan Stanley S.A.	Sumitomo International Finance AG
Swiss Cantobank (International)	

Kreditbank (Suisse) S.A.
 Nordfinanz-Bank Zürich

Clariden Bank
 Lloyds Bank Plc
 Anro Bank und Finanz
 Bank Cial (Schweiz)
 - Crédit Industriel d'Alsace et de Lorraine AG -

Armand von Ernst & Cie AG
 Banco di Roma per la Svizzera
 Banque Indosuez, Succursales de Suisse
 Banque Morgan Grenfell en Suisse S.A.
 Caisse d'Epargne du Valais
 Fuji Bank (Schweiz) AG
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 Handelsfinanz Midland Bank
 Hypothek- und Handelsbank Winterthur
 Mærsk, Banmann & Co. AG
 Sparkasse Schwyz

Banque Gutzwiller, Kurz, Bungener S.A.
 Crédit Commercial de France (Suisse) S.A.
 Samuel Montagu (Suisse) S.A.

Banque Nationale de Paris (Suisse) S.A.
 INGEBA Internationale Genossenschaftsbank AG
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Alpha Securities AG
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 Great Pacific Capital
 Grindlays Bank p.l.c.
 (a member of the ANZ Group)
 E. Gutzwiller & Cie, Banquiers
 Overland Trust Banca
 Rüeegg Bank AG
 St. Gallische Creditanstalt
 Società Bancaria Ticinese
 Solothurner Handelsbank
 Spar- und Leihkasse Schaffhausen
 Volksbank Willisau AG

INTL. COMPANIES & FINANCE

Stefan Wagstyl on the Japanese electronic group's VHS decision

Sony bows to the inevitable

SONY was yesterday trying to put a brave face on defeat. But the Japanese electronics company has finally admitted that it has lost the battle for control of the world home video recorder market.

The group, which long prided itself on being the most independent-minded of Japanese electronics companies, is to start making VHS-format machines, designed and developed by its rivals, alongside its own Betamax models.

Sony's announcement raises two main questions - why it has taken the group so long to bite the bullet and what the decision says about the company's future.

Another company in another market might have made the move three years ago, when the Betamax share of world video recorder annual sales was already below 10 per cent. But Sony continued to believe in Betamax - and indeed still does, denying any suggestion that it plans to scrap the format.

The story of the war between Betamax and VHS is a classic tale of brains versus brawn.

Sony's machines were launched first (in 1975) and are widely acknowledged as being technically superior. But JVC, an offshoot of Matsushita which developed VHS, was larger than Sony. Moreover, unlike Sony, it was ready to make recorders for sale under various labels for different manufacturers. As a result, Sony was swamped.

As late as 1981, Sony's market share in Japan was 40 per cent. Last year it was about 7 per cent. About 25m of the 180m machines in use around the world are Betamaxes - but many sold in the 1970s are being replaced by VHS recorders.

Sony has tried to fight back with 8mm video - a small-scale format particularly suitable for hand-held camera recorders. The company agreed standards with other manufacturers before launching 8mm in 1985. But instead of following suit, JVC developed VHS C - small VHS-format cassettes suitable for camera recorders, and a direct competitor to 8mm.

Sony sold 1.3m of its 8mm machines last year and plans to sell 1.8m this year. But the

company's original hope that the format might be as big as VHS by 1990 now looks grossly overoptimistic.

The final straw as far as Sony is concerned probably came last year with JVC's launch of VHS S, a high-quality version of VHS which might potentially challenge Betamax in one market where it is strong - recorders for professional and semi-professional use.

Late last year, Sony clearly became convinced that its refusal to make VHS machines might be harming its position not only in the video recorder market but elsewhere - in televisions sets, for example, and in integrated home audio-visual systems. Customers who might otherwise have bought a Sony television were buying one from JVC because it matched a JVC VHS video recorder.

Even though there is a large element of bowing to the inevitable about yesterday's announcement, the decision to start marketing VHS machines highlights some aspects of Sony's future as well as its past.

First, the move shows that Sony, founded after the Second World War by Mr Akio Morita, its chairman, is mellowing in middle age and becoming more willing to co-operate with other manufacturers. The failure to capitalise on video recorders lost Sony a chance to leap into the ranks of the biggest Japanese electronics companies.

The Betamax experience persuaded Sony to co-operate with other manufacturers in developing standards for more recent innovations including compact discs and digital audio tape.

Next, the VHS decision fits well with Sony's \$2bn acquisition in November of CBS Records, which brought rights to artists such as Michael Jackson. It will obviously be easier for Sony to promote VHS cassettes using this material if it is itself selling VHS recorders.

Finally, it could just be that Sony will spring a surprise in developing VHS in areas which may not have occurred to its rivals. The company which turned the cassette recorder into the Walkman might have a trick or two up its sleeve.

Ladbroke Group PLC
has acquired
Hilton International Co.
from
Allegis Corporation
We acted as the US financial advisor to Ladbroke Group PLC in this transaction and assisted in the negotiations.
Merrill Lynch Capital Markets

October 1987

Renault in talks to sell car rental unit

BY PAUL BETTS IN PARIS

RENAULT, THE French state-owned car group, is negotiating the sale of its car rental subsidiary, Europcar, to Compagnie Internationale des Wagons-Lits, the Belgian-based railway sleeping car company with growing interests in the hotel and tourism business.

The French group has for some time sought a buyer for Europcar, the largest car hire business in Europe, in order to recentre activities around its core car manufacturing operations. It is thought now to be close to completing the dis-

posal.

Europcar returned to profit in 1987 with earnings of more than FF11m (\$1.97m) on a turnover of FF1.5bn. However, despite the recovery, Renault remains convinced that the car hire business no longer fits in with its longer-term strategy.

For Wagons-Lits, the deal - if it goes through - represents the Belgian group's efforts to expand activities into a variety of tourist-related sectors. Apart from its railway and travel businesses, Wagons-Lits controls a major French and inter-

national hotel network.

The disposal of Europcar will provide Renault with additional cash funds to strengthen its balance sheet. Renault had hoped to see FF1.2bn of group debt written off by the French Government as part of a plan to change the group's special legal status.

This plan has been suspended. The Government now intends to write off an initial FF1.2bn tranche of borrowings. At the end of 1986, Renault had a negative net

worth of FF16.4bn.

The company has seen a transformation in its fortunes over the past 12 months. After several years of heavy losses, it expects 1987 to throw up net profits of between FF1.3bn and FF1.4bn.

Mr Paul Percie du Sert, Renault's new commercial director and former financial director, confirmed recently that all the group's commercial and industrial operations were back in profit. Foreign operations were also out of the red.

USG Corporation
has acquired the stock of
DAP Inc.
from
Beecham Group plc
We acted as financial advisor to USG Corporation in this transaction.
Merrill Lynch Capital Markets

October 1987

VNU plans to buy trade journal in US

By Laura Ryan in Amsterdam

VNU, THE Netherlands' largest publishing group, plans to acquire Media Records of the US, a trade journal which reports on newspaper advertising, in an effort to strengthen its media information services.

Media Records, based in New York, measures on a monthly basis the amount of advertising in 200 US newspapers in 95 markets. No purchase price was disclosed, but Media Records has annual turnover of \$1.9m (\$5m), employs 100 staff, and will account for 5 per cent of VNU's US revenue.

This is the second planned acquisition announced by VNU in two weeks. On December 29, the Haarlem-based publisher said it would launch an agreed takeover bid for Audet, a smaller Dutch publisher active in regional newspapers.

Last week the chairman of VNU and Audet jointly announced that VNU would offer 2.5 of its common shares plus FF 100 cash for each Audet share, or a total of FF 253m at current prices. But in announcing the bid for Audet, a smaller Dutch publisher indicated that they were reckoning with possible opposition from some Audet shareholders.

Rand Mines shows decline

BY JIM JONES IN JOHANNESBURG

THE FOUR producing gold mines managed by Rand Mines of South Africa suffered another profit decline in the final quarter of 1987 with only Blyvooruitzicht earning an after-tax profit greater than capital expenditure.

The total net profit dropped to R17.8m (\$9.05m) in the December quarter from R29.7m in the September quarter and R47.5m in the June quarter.

The average rand gold price received by the mines slipped fractionally to R30,381 a kilogram, but reduced mill throughput led to proportionately greater unit production cost increases.

Harmony, the largest of the group's mines, lifted its recovery grade slightly to 2.96 grams per tonne (g/t) from the previous quarter's 2.93 g/t after the even after taking into account Leader reef had prompted a shift in mining towards higher-grade areas. Nevertheless the mine's after-tax profit was

RAND MINES GOLD QUARTERLIES					
Gold produced (kg)		After-tax profit (Rm)		Earnings per share (cents)	
Dec 87	Sep 87	Dec 87	Sep 87	Dec 87	Sep 87
2,830	3,094	14.05	15.45	37.4	43.5
3,769	1,905	6.72	2.87	(96.3)	(180.5)
2,257	2,251	(17.56)	(17.94)	(431.3)	(509.2)
6,657	7,454	14.63	29.33	2.5	55.9

Earnings per share calculated on 100,000,000 shares. Parentheses in negative shows or failures.

East Rand Proprietary Mines (ERP), the biggest of the group's mines, suffered a further operating loss despite production cuts in the older, lower-grade areas of the mine. Durban Deep generated a small operating profit but again spent more on capital projects than it earned in the quarter after taking into account the receipt of state assistance. The mine's equipment is particularly old and production is frequently disrupted by break-

RUSTENBURG PLATINUM HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration Number 05/22452/06

WADEVILLE REFINERY THEFT

A theft was discovered today from the Wadeville refinery of some 45 kilograms of gold in process with a value of R1.4 million. The theft has been reported to the South African Police and investigations are in progress.

Johannesburg
11th January 1988

SABRE III Limited
U.S. \$200,000,000
Floating Rate Secured Notes due 1992
For the 6 months period 7th January, 1988 to 7th July, 1988 the Notes will bear the rate at 7 1/8% per annum. US\$3,823.26 will be payable from 7th July, 1988 per US\$100,000 principal amount of Notes.
Yusufkhan International (Overseas) Limited
Agent Bank

Panavision, Incorporated
has been acquired by
Lee International PLC
We acted as financial advisor to Panavision, Incorporated in this transaction and assisted in the negotiations.
Merrill Lynch Capital Markets

October 1987

£200,000,000

Nationwide Anglia Building Society

Floating Rate Notes Due 1995

Interest Rate	9 1/8% per annum
Interest Period	8th January 1988 to 8th April 1988
Interest Amount per £5,000 Note due 8th April 1988	£114.22

Credit Suisse First Boston Limited
Agent Bank

BANK OF NEW ZEALAND
Cayman Islands Branch
NZ \$150,000,000
Floating Rate Notes 1992

For the three months 11th January, 1988 to 11th April, 1988 the Notes will carry an interest rate of 16.56909 per cent. per annum.

Interest payable on the relevant interest payment date, 11th April, 1988 will amount to NZ \$41,284.31 per NZ \$1,000,000 Note and NZ \$206,421.53 per NZ \$5,000,000 Note.

Agent Bank
Morgan Guaranty Trust Company of New York, London

Notice of Early Redemption

SEK
AB Svensk Exportkredit
(Swedish Export Credit Corporation)
US \$112,500,000
14 1/4% Bonds Due 1990

NOTICE IS HEREBY GIVEN that in accordance with Clause 6(a) of the Terms and Conditions of the Bonds, the Company will redeem all of the Bonds at 101% of the principal amount on the next interest payment date 10th February, 1988, when interest on the Bonds will cease to accrue.

Repayment of principal will be made upon presentation of the Bonds with all unsecured Coupons attached, at the offices of any one of the Paying Agents mentioned thereon.

Accrued interest due 10th February, 1988 will be paid in the normal manner against presentation of Coupon No. 6, on or after 10th February, 1988.

Bankers Trust Company, London
Agent Bank
12th January, 1988

NATIONAL BANK OF CANADA
(A chartered bank governed by the Bank Act of Canada)
U.S. \$50,000,000
Floating Rate Notes due January 1991

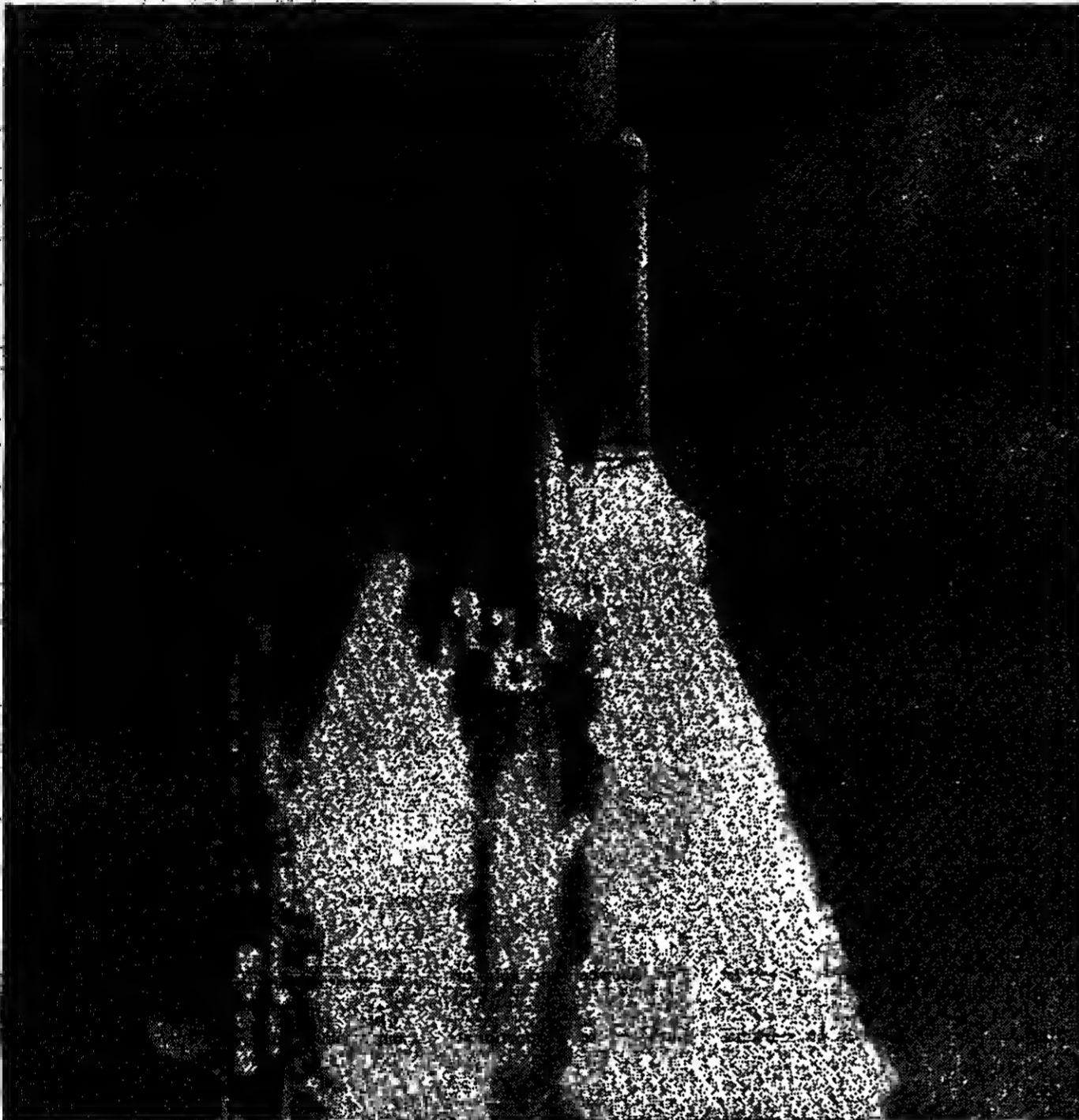
In accordance with the provisions of the Notes notice is hereby given that for the six month Interest Period from 8th January 1988 to 8th July 1988 the Notes will carry an Interest Rate of 7.6875% per annum.

The Coupon amount payable on Notes of U.S. \$5,000,000 will be \$194.32.

Agent Bank
FIRST CHICAGO
LIMITED
Covered location of notice which appeared on 8.1.88.

Volvo's Offer to Investors.

More than Safe and Dependable Cars.



VOLVO FLYGMOTOR PROVIDES VITAL
COMBUSTION CHAMBER COMPONENTS FOR EUROPE'S
SUCCESSFUL ARIANE SPACE ROCKET.

Innovative, highly advanced technology has helped Volvo show a profit every year since 1932.

Ongoing future oriented investment in the technology of all its products from aerospace to automotive has enabled Volvo to pay a dividend on its shares every year since 1935.

The emergence of Volvo Flygmotor as one of the most profitable aerospace companies of its kind epitomizes Volvo's commitment to broadening and strengthening its existing operations.

A commitment that helped 100 Volvo shares purchased just five years ago for £ 620 to grow in value to £ 2.800 today.

A belief in the future that says purchasing a Volvo share should be an investment in steady, stable growth.

Volvo does not believe in 'here today, gone tomorrow' thinking.

Volvo's future, as the present and our past, depends upon our sound management commitment, excellent financial strength, top labour relations, and the ability to develop new products and markets.

For Volvo's Offer to Investors, read positive return on investment, good profits, stable production, creative management, quality employees and products, broadening operations within existing business sectors, and a commitment to the future.

CORPORATE FINANCE, AB VOLVO,
S-405 08 GOTTEBORG, SWEDEN.

VOLVO

INTERNATIONAL CAPITAL MARKETS

Westpac to buy out minority in AGC

By Our Financial Staff
WESTPAC BANKING, the large Australian bank, is to offer A\$237.2m (US\$167.4m) for the minority it does not own in Australian Guarantee Corporation (AGC), its finance offshoot.

Westpac, which owns 76.8 per cent of AGC, said yesterday it would offer seven of its own shares for every 10 in AGC or A\$2.90 cash per share, valuing the whole of AGC at A\$1.02bn. Sir James Foots, Westpac chairman, said the bid was being made to strengthen both organisations in the country's deregulated financial market.

Westfield to make US preferred stock issue

BY CHRIS SHERWELL IN SYDNEY

WESTFIELD HOLDINGS, the Australian shopping centre and investment group, yesterday announced a US\$300m preferred stock issue in the US, said to be the largest such public offering by a property company.

Proceeds of the issue will go towards retiring US\$230m in borrowings from National Australia Bank, granted under a two-year facility to fund Westfield's purchase of three properties from Macy's.

That purchase, made in December 1985 for US\$365m, made Westfield one of the largest Australian property owners in the US. It now owns seven regional shopping centres in the country, with an estimated market value of

US\$850m. The balance of the proceeds will be used for investment and working capital requirements, including development of the three ex-Macy's properties. Mr Frank Lowy, chairman of Westfield Holdings, said the structure of the preferred stock offer, coupled with long-term interest rate swaps entered into for the original US\$230m financing, meant Westfield's interest charges on its funds were low.

Under the terms of the arrangement, the mortgages on the three properties are held by a syndicate of three Australian banks - National Australia, Westpac and Commonwealth - together with Societe Generale. They have issued back-up letters of credit to Societe Gen-

erale, which has issued the principal letter of credit and the preferred stock issue by Westfield Finance, a finance subsidiary of Westfield Holdings. The issue itself was lead managed by First Boston, co-managed by Goldman Sachs and Merrill Lynch, and sold to unspecified corporate and institutional investors. According to a statement yesterday it was expected to be rated Triple A by Moody's and Double A plus by Standard & Poor's.

The preferred stock was said to have been offered in four series at initial dividend rates ranging from 5.85 per cent to 5.95 per cent. Future rates will be determined through an auction every 48 days.

CME to tap Irish gambling talent

By Deborah Hargreaves in Chicago

ANYONE WHO has seen these Irish punters in action can't help but think they will make great local, enthuses Mr Joe Sims, who is looking to cash in on Dublin's native gambling talent when he sets up the European Mercantile Exchange in the Irish capital later this year. Irish punters are set to become a reality, he stresses. Having sounded out Dublin's cab drivers and punters, Mr Sims is confident that any Irish local traders in the futures markets' term for those who trade for their own account and who provide the lifeblood of Chicago's futures exchanges - will be up and running on their first day.

Mr Sims, who has helped set up three new futures exchanges in the last five years, says he does not expect the Irish to suffer from timidity in trading with the CME's local, he trained locals for the Chicago Mercantile Exchange's project there.

Norsk Hydro reopens fixed-rate dollar sector

BY CLARE PEARSON

NORSK HYDRO, the Norwegian energy company, yesterday became the first borrower to tap the fixed-rate Eurodollar bond market for over a month, despite deepening uncertainty about the dollar and the short-term direction of interest rates.

Central bank intervention buoyed the dollar yesterday after early weakness. Yet concern about the strength of the US economy, especially ahead of Friday's November US trade data, continued to weigh on the dollar bond market.

However, Swiss Bank Corporation International, the lead manager of Norsk Hydro's \$200m bond, said it was confident the issue could be placed with investors looking for new Eurodollar paper as many seasonal bonds are due for redemption soon.

US Treasury prices in fairly tight activity. Towards the end of European trading time, these were slightly higher, having earlier given up gains. The dollar which had been fuelled by further falls in share prices and intervention to support the dollar.

Earlier, Nomura International launched the first Eurodollar bond of the year - a 100m bond for Ireland - though yields were higher on the day than last week's issues for Jeddah Denki and Haskel Can. These traded at 102 1/2 and 103 bid respectively yesterday.

D-Mark Eurobonds saw quiet trading and closed about 1/2 point lower on the day than last week's issues for Jeddah Denki and Haskel Can. These traded at 102 1/2 and 103 bid respectively yesterday.

Though Tokyo share prices had been slightly down following the sharp Wall Street fall on Friday, Sankei Electric's \$100m bond met a good response and traded at 102 bid.

Deutscher Eurobond, the lead manager, indicated a 5 per cent coupon on the five-year par-priced bond, putting in line with last week's issues for Jeddah Denki and Haskel Can. These traded at 102 1/2 and 103 bid respectively yesterday.

Canadian gold mining company is offering in the international markets 600,000 units, each comprising two shares and one share warrant, through PaineWebber International. A further 500,000 units will be sold in the US.

Zurich mulls limit-down rule

BY OUR FINANCIAL STAFF

THE ZURICH Stock Exchange may adopt a limit-down rule to suspend a share for the rest of the session if its price suddenly drops by 25 per cent.

The proposal, prompted by public concern over sharp fluctuations in share prices, is under preliminary consideration and is not likely to be approved in the next few weeks, Nicholas Baer, the bourse president, said.

"We are studying instituting a 25 per cent limit-down system," he said. "Some price changes have struck the public as too great for one day. Maybe prices would find a more reasonable level over two days." Cantonal

authorities would have to approve such a change. Exchange rules now stop trading in shares for 10 minutes if the difference between two paid prices surpasses 10 per cent.

The interruption allows brokers time to find customers willing to trade shares which have fallen or risen rapidly, Mr Baer explained.

"Last autumn's stock market crash and the continuing weakness of the dollar have caused only minor disruption to Swiss companies' middle-range investment plans," Baer reports from Zurich.

and retail companies, conducted in December by the Federal Institute of Technology's Centre for the Research of Economic Activity, only a small minority of companies had revised their 1988/89 investment plans down.

Investment growth would probably not reach the high target set last year, however, the report concluded.

Of the industrial companies surveyed, 7 per cent had scaled down their investment plans for 1988/89 because of uncertainty on the probable behaviour of financial markets. Earnings growth rates among industrial firms were expected to slow from recent years.

Lisbon SE to cut clearing time

BY OUR FINANCIAL STAFF

THE OFFICIAL time for clearing a share transaction on the Lisbon stock exchange should be reduced to three days from six days in the first quarter of this year, according to Mr Alvaro Damaso, the exchange's president.

Mr Damaso said on radio that a new computer system and other changes would speed up processing of transactions. Stock exchange officials say the measures would be a first step towards computerising the entire system.

Shares are bearer certificates in Portugal and held on safe deposit in banks. Stock exchange officials record each transaction manually and share certificates are transferred physically after each order.

Tax breaks

It was the CME's move to Singapore that inspired several CME traders to return to their families' roots by setting up an exchange in Ireland. One of the CME's local, Mr Jack McInerney, has been trying to persuade his colleagues to move to Europe for years.

Dublin became a possibility when the Irish Government offered favourable tax breaks to create an international financial zone in the city's former docks area. The EME will be paying only 10 per cent corporate tax, as opposed to the Republic of Ireland's usual 50 per cent.

Currency niche

This niche could be cross-currency futures, such as sterling against D-Mark, or Irish exchange against sterling. The EME has also been prompted by its new members, which include Citicorp and Merrill Lynch as well as NatWest, Barclays and Allied Irish, to look at crude oil futures.

Mr Sims, who will be president of the EME, and Mr Garaghty are two of the former CME people Mr McInerney has attracted to his cause. Both were involved in setting up Simex, while more recently Mr Sims helped the Brazilian firm establish exchanges in Rio de Janeiro and Sao Paulo.

More Japanese equity sales by foreigners

By Ian Rodger in Tokyo

NET SALES of Japanese equities by foreign investors rose by 80 per cent last year to a record ¥7,189.7bn (355.4bn). This was mainly because of a rash of sales in the wake of the worldwide stock market crash in October.

Meanwhile, Japanese banks and investment trusts made record share purchases, according to figures published yesterday by the Tokyo Stock Exchange based on reports by 84 leading brokers.

Chase to reduce London staff

BY OUR EUROMARKETS STAFF

CHASE MANHATTAN Securities, the London trading arm of Chase Manhattan Corporation, is cutting 19 dealers, salesmen and analysts from its fixed-income department, reducing its total staff to 100.

Chase said yesterday that the staff cuts would be spread across all the fixed interest markets in which its securities arm is involved, including US Treasury bonds, gilts and Eurobonds.

However, the bank claimed that the cuts do not mean that it is ceasing to trade in any one market. It said it has no immediate plans for any further redundancies. Settlements staff will be reduced by 10 and Chase hopes to redeploy some of those losing their jobs.

FT INTERNATIONAL BOND SERVICE

Table with columns: Bond Name, Issued, Maturity, Bid, Offer, Change, Yield. Lists various international bonds like US Treasury, UK Gilts, etc.

Table with columns: Bond Name, Issued, Maturity, Bid, Offer, Change, Yield. Lists various international bonds like Swiss, Japanese, etc.

Table with columns: Bond Name, Issued, Maturity, Bid, Offer, Change, Yield. Lists various international bonds like Canadian, etc.

Table with columns: Bond Name, Issued, Maturity, Bid, Offer, Change, Yield. Lists various international bonds like Australian, etc.

Table with columns: Bond Name, Issued, Maturity, Bid, Offer, Change, Yield. Lists various international bonds like New Zealand, etc.

Table with columns: Bond Name, Issued, Maturity, Bid, Offer, Change, Yield. Lists various international bonds like South African, etc.

Table with columns: Bond Name, Issued, Maturity, Bid, Offer, Change, Yield. Lists various international bonds like Hong Kong, etc.

Table with columns: Bond Name, Issued, Maturity, Bid, Offer, Change, Yield. Lists various international bonds like Singapore, etc.

Table with columns: Bond Name, Issued, Maturity, Bid, Offer, Change, Yield. Lists various international bonds like Malaysia, etc.

Table with columns: Bond Name, Issued, Maturity, Bid, Offer, Change, Yield. Lists various international bonds like Indonesia, etc.

Table with columns: Bond Name, Issued, Maturity, Bid, Offer, Change, Yield. Lists various international bonds like Thailand, etc.

Table with columns: Bond Name, Issued, Maturity, Bid, Offer, Change, Yield. Lists various international bonds like Philippines, etc.

Table with columns: Bond Name, Issued, Maturity, Bid, Offer, Change, Yield. Lists various international bonds like South Korea, etc.

Table with columns: Bond Name, Issued, Maturity, Bid, Offer, Change, Yield. Lists various international bonds like Taiwan, etc.

Table with columns: Bond Name, Issued, Maturity, Bid, Offer, Change, Yield. Lists various international bonds like South Africa, etc.

Advertisement for Industrial Credit Corporation plc, Dublin, Ireland. DM 50,000,000 5% Bearer Bonds of 1988/1991. Guaranteed by the Minister for Finance of Ireland.

Advertisement for Bank of Tokyo (Deutschland) Aktiengesellschaft. Commerzbank, Deutsche Bank, Dresdner Bank, Westdeutsche Landesbank Girozentrale.

Advertisement for PAN HOLDING Societe Anonyme Luxembourg. Based on a provisional unaudited statement of the accounts as of December 31, 1987.

Advertisement for TEOLLISUUDEN VOIMA OY (TVO Power Company) Floating Rate Notes due 2004.

Advertisement for BRITANNIA BUILDING SOCIETY £100,000.000 Floating Rate Notes Due 1993.

1987 L'année des succès pour Kleinwort Benson



Banque Nationale de Paris

£50,000,000
10 per cent. Notes 1994
Issue Price 101¼ per cent.

Kleinwort Benson Limited

April 1987



Crédit Commercial de France

Privatisation and offer of shares
on behalf of
the Republic of France

The undersigned acted as adviser
to Crédit Commercial de France and
lead manager of the UK tranche

Kleinwort Benson Limited

April 1987



Crédit Lyonnais

£75,000,000
10½ per cent. Notes 1992
Issue Price 101¼ per cent.

Kleinwort Benson Limited

November 1987

SAINT-GOBAIN

Introduction
to
The Stock Exchange
in London

Sponsored by
Kleinwort Benson Limited

July 1987



£100,000,000

Sterling Commercial
Paper Programme

Kleinwort Benson Limited

December 1987

SOCIÉTÉ GÉNÉRALE

£50,000,000
9 per cent. Notes 1992
Issue Price 101½ per cent.

Kleinwort Benson Limited

May 1987

Banque Indosuez

has acquired

l'Union Financière de France S.A.

The undersigned acted as
financial adviser to the vendors

Kleinwort Benson Limited

July 1987

COMPAGNIE DU MIDI

has acquired
Equity & Law plc

The undersigned acted as
financial adviser
to Compagnie du Midi

Kleinwort Benson Limited

October 1987



BANQUE INDOSUEZ

£50,000,000
10¼ per cent. Notes 1992

Issue Price 101¼ per cent.

Kleinwort Benson Limited

March 1987



Cdf Chimie S.A.

£90,000,000
Acceptance Credit Facility

with multi-currency advances
and tender panel

Kleinwort Benson Limited

July 1987



compagnie bancaire

£50,000,000
10 per cent. Notes 1992
Issue Price 101¼ per cent.

Kleinwort Benson Limited

December 1987

The Kleinwort Benson Group

UK COMPANY NEWS

Raymond Snoddy considers the FT's new worldwide expansion programme Showing a marked break with the past

THE ACQUISITION yesterday by the Financial Times of Les Echos, the leading French financial daily, is the most dramatic example so far of a new strategy of international expansion at the FT.



Frank Barlow, chief executive of the Financial Times, with Madame Beytout, chief proprietor of Les Echos, signing the contract at Bracken House, the FT's headquarters, yesterday.

In its centenary year the FT is adding to its policy of printing abroad, trying to increase the exploitation of information held on electronic databases and the acquisition of significant stakes in other financial and business newspapers around the world.

Mr Frank Barlow, chief executive of the Financial Times group, part of Pearson, publishing, entertainment and industrial conglomerate, said yesterday the expansion plan was outlined in a strategy paper prepared last April prior to Mr Rupert Murdoch's acquisition of nearly 15 per cent of Pearson's shares.

Advertisement for Les Echos newspaper featuring a headline in French: 'Balladur: Le moment est venu pour Chirac et Mitterrand de se déclarer candidats' and 'Regain de confiance pour un dollar solidement soutenu'.

Barlow added yesterday. A stake in the Australian Financial Review unexpectedly became available. "It's pure chance," Mr Barlow said.

Sears hits out at Freemans defence

By Philip Coggan THE BATTLE for Freemans, the mall order company, intensified yesterday with a profits forecast from the defending company and further share purchases by the bidder, Sears, the footwear, retail and bookmaking group.

Freemans, in a new defence document, forecast pre-tax profits of £33.2m for the year to January 30, compared with £32.4m in the previous 53 week period. Earnings per share are forecast at 14.2p. But the directors intend to recommend a 40 per cent increase in the final dividend to 3.85p (2.75p).

F H Tomkins lifts profits 81% to £16.8m halfway

By Clay Harris F H Tomkins, the industrial holding group, increased pre-tax profits by 81 per cent to £16.8m in the six months to October 31. Smith & Wesson, the US handgun maker, brought last year, made its first contribution, and Tomkins said the results included organic profits growth of 20 per cent.

Mr Gregory Hutchings, chief executive, said Tomkins was cash-rich and was looking for appropriate takeover targets in the UK or US. "We could probably do a £120m to £130m acquisition for cash and be comfortable about it," he said.

S African bid for Brewmaker

BY MARTIN DICKSON Brewmaker, the manufacturer of home brewing kits, has become the latest British company to receive a takeover bid from South African entrepreneur intent taking control of a quoted UK vehicle and changing its direction.

Over the past two years several other South African businessmen have bought into UK companies. They include Mr Ken Mand at Peak Holdings, Mr Darryl Phillips at Acis Jewellery and Mr Bruce McInnes at Charles Baynes.

W H Smith in £12.9m deal

W H Smith, the retail and distribution group, is to buy The Pentagon Group, a commercial stationery supplier, for £12.9m in a deal which will add a third arm to its UK distribution activities.

Under the Brewmaster plan, there will be a one for one rights issue to existing shareholders at just 1p, compared to the suspension price of 37p, which is designed to expand the equity base.

Appletree profits hit by Hunters snack division

TBE DISAPPOINTING performance of the Hunters snack division, forebadowed in the chairman's current trading report delivered last November, resulted in sharply reduced profits at Appletree Holdings.

Appletree, the former USM, quoted fruit and vegetable importer and distributor, gained a full Stock Exchange listing last year following its tie-up with Hunters Foods, a privately-owned crisps and snacks manufacturer.

TKM purchase of Ferrari importer

By Andrew Hill Toser Kemsley and Millbourn (Holdings), the Brierley group car dealer, has bought Maranello Holdings, the importer of Ferrari cars and parts, for £15.8m.

London Scottish Bank up 16%

London Scottish Bank, formerly London Scottish Finance Corporation, revealed pre-tax profits up 16 per cent to £2.48m on turnover ahead from £1.15m to £1.8m in the year to October 27 1987.

B&D offer attracts 1%

By Clay Harris Barker & Debon, the stores and confectionery group bidding £2m for the much larger Dee Corporation, received acceptances from 1 per cent of shareholders by yesterday's first closing date.

Advertisement for Tamar Mortgage Company No.1 Limited, subsidiary of THE MANUFACTURERS LIFE INSURANCE COMPANY. Features £150,000,000 Multiple Option Facility and lists various partner banks like Commerzbank and Bank of Montreal.

Estates Prop receives bid approach. Estates Property Investments announced yesterday that it had received an approach which might lead to a bid for the company.

New broker for Sound Diffusion. Sound Diffusion, the electrical equipment leasing group, has appointed Panmure Gordon as its new stockbroker.

Advertisement for FORD CREDIT CANADA LIMITED, U.S.\$ 50,000,000 Guaranteed Floating Rate Notes due 1988. Repayment as per March 24, 1988.

Table titled 'DIVIDENDS ANNOUNCED' with columns for Company, Current payment, Date of payment, Current dividend, Total for year, and Total last year.

Advertisement for ZETTERS GROUP PLC INTERIM REPORT. Shows turnover of 10,069 and pre-tax profits of 283. Includes a quote from Paul Zetter, CEO: 'The increase in turnover is attributable mainly to increased standing entry gross stakes in response to our new promotional advertising.'

Advertisement for Finance for Bids and Deals. Finance for Property, Development, Management Buy-Outs, PLC Takeovers, Commodity Trading and Financial Services.

Who dominates M & A in the UK?

1985 M & A League Table

Financial Advisers in UK Public Takeovers:

Ranked by value of takeovers

Financial Advisers	No. of deals	Value £m
1 Morgan Grenfell	32	3,143
	29	3,129
	25	1,714
	22	1,482
	16	1,386
	14	1,279
	10	752
	13	685
	16	629
	9	606

1986 M & A League Table

Financial Advisers in UK Public Takeovers:

Ranked by value of takeovers

Financial Advisers	No. of deals	Value £m
1 Morgan Grenfell	51	13,964
	60	12,016
	7	9,990
	34	7,963
	26	7,701
	24	7,050
	20	6,830
	25	5,647
	20	5,376
	39	4,105

1987 M & A League Table

Financial Advisers in UK Public Takeovers:

Ranked by value of takeovers

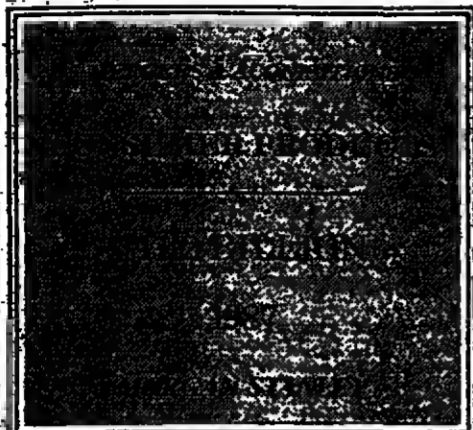
Financial Advisers	No. of deals	Value £m
1 Morgan Grenfell (1)	33	5,348
2 C.G. Wapping (4)	24	5,238
3 Kleinwort Benson (2)	22	3,669
4 Schroders (6)	25	3,580
5 Charterhouse Bank (9)	14	3,458
6 Samuel Montagu (11)	24	2,739
7 Baring Brothers (13)	15	2,447
8 Barclays de Zoete Wedd (12)	17	2,430
9 Lazard Brothers (15)	24	2,359
10 N. M. Rothschild (7)	17	2,147

* 1986 Ranking
Table based on completed and failed public takeover bids

MORGAN GRENFELL

Strength in Depth

\$1 Billion in Mergers and Acquisitions in 4 years.



The Gillette Company
takeover defense
\$5,500,000,000

Grand Metropolitan PLC
acquires
Heublein, Inc.
(subsidiary of EJR Nabisco, Inc.)
\$1,200,000,000

Beatrice International Food Company
(subsidiary of Beatrice Company)
acquired by
TLC Group, L.P.
\$985,000,000

Elizabeth Arden Inc.
(subsidiary of Eli Lilly & Company)
acquired by
Faberge, Incorporated
\$700,000,000

American Brands, Inc.
acquired
ACCO World Corporation
\$602,000,000

Guinness PLC
acquired
Schenley Industries, Inc.
\$555,000,000

TI Group plc
divested its Domestic
Appliance Division
\$945,100,000

Joh. A. Benckiser GmbH
acquired
**The Worldwide Consumer Products
Division of Ecolab, Inc.**
\$242,500,000

The Dow Chemical Company
pending acquisition of
Lamair, Inc.
\$189,000,000

European Home Products plc
acquired
Scholl International Inc.
(subsidiary of Schering-Plough Corporation)
\$160,000,000

**Sheffer Eaton Division
of Textron Inc.**
acquired by
Gefinor
\$135,200,000

Jeffrey Martin, Inc.
acquired by
DEP Corporation
\$73,000,000

Diversified Products Corporation
(subsidiary of Grand Metropolitan PLC)
acquired by
DP-ACQ, Inc.
\$37,500,000

Hudson's Bay Fur
(subsidiary of Hudson's Bay Company)
acquired by
Finnish Fur Company
\$34,000,000

Ajinomoto Co.
acquired a 50% interest in
**Seven West Asian Subsidiaries
of CPC International Inc.**
Price not disclosed

Ajinomoto Co.
acquired the remaining 50% interest in
Knorr Foods Co. Ltd.
(interest held by CPC International Inc.)
Price not disclosed

Gold Bond Ice Cream, Inc.
acquired
Popsicle Industries, Inc.
(subsidiary of Sara Lee Corporation)
Price not disclosed

Sanraku, Inc.
pending acquisition of
Markham Vineyards
Price not disclosed

**Seven-Up Bottling-
New England Region**
(subsidiary of Philip Morris Companies Inc.)
acquired by
**Seven-Up Bottling Company of
Philadelphia, Inc.**
Price not disclosed



TFBA Limited Partnership
(a limited partnership formed, in part,
by Robert M. Bass Group, Inc.)
acquired
Taft Broadcasting Company
\$1,450,000,000

**Six Television Stations
of Storer Communications, Inc.**
(controlled by Kohlberg Kravis Roberts & Co.)
acquired by
SCI Television, Inc.
\$1,300,000,000

Continental Cablevision, Inc.
pending acquisition of
American CableSystems Corp.
\$750,300,000

Bell & Howell Company
pending acquisition by
BHW Acquisition Corp.
\$678,400,000

JWT Group, Inc.
acquired by
WPP Group plc
\$565,000,000

**Television Station WTVJ-TV, Miami, FL
of Wometco Broadcasting Company, Inc.**
(controlled by Kohlberg Kravis Roberts & Co.)
acquired by
GE Property Management Co.
(subsidiary of General Electric Company)
\$270,000,000

Star Midwest Inc.
pending acquisition of
**North American Communications Corp.
and
Four Cable Television Systems**
\$239,000,000

**Seven Radio Stations
of Price Communications Corporation**
acquired by
Fairmont Broadcasting, Inc.
\$120,000,000 (in cash and notes)

**Theatre Assets and related Real Estate
of The Litchfield Company of
South Carolina, Inc.**
acquired by
United Artists Communications, Inc.
\$93,000,000

**Television Station WTVG-TV, Toledo, OH,
of Storer Communications, Inc.**
(controlled by Kohlberg Kravis Roberts & Co.)
acquired by
Toledo Television, Inc.
\$65,000,000

**Four Television Stations
of Clay Communications Investors**
acquired by
Price Communications Corporation
\$60,000,000

Tak Communications, Inc.
acquired
**Television Station KITV-TV,
Honolulu, HI**
\$50,000,000

**Television Station WLOS-TV, Asheville, NC
of Wometco Broadcasting Company, Inc.**
(controlled by Kohlberg Kravis Roberts & Co.)
acquired by
AMC of Delaware, Inc.
(an affiliate of Anchor Media, Ltd.)
\$50,000,000

Tak Communications, Inc.
acquired
**Radio Station WUSL-FM,
Philadelphia, PA**
\$32,000,000

**Radio Station WASH-FM, Washington, DC
of Metropolitan Broadcasting Corporation**
acquired by
Outlet Broadcasting, Inc.
\$29,250,000

**Four Newspapers
of Clay Communications Investors**
acquired by
Thomson Newspapers Limited
Price not disclosed

Continental Cablevision, Inc.
pending exchange of certain of its cellular telephone
assets for certain cable television assets of
Providence Journal Company
Price not disclosed

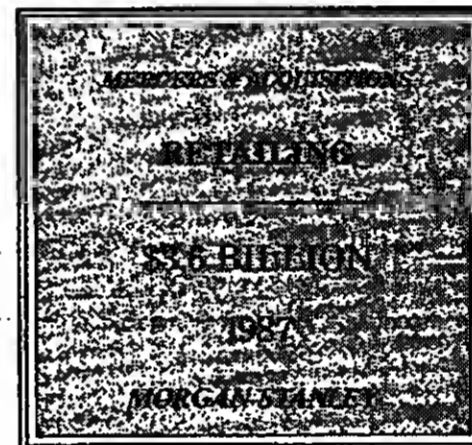
DKM Broadcasting Corporation
pending acquisition by
Summit Communications, Inc.
Price not disclosed

**Radio Station WIP-AM, Philadelphia, PA
of Metropolitan Broadcasting Corporation**
acquired by
Spectator Broadcasting L.P.
Price not disclosed

**Television Station WPHL-TV, Philadelphia, PA
of Providence Journal Company**
pending acquisition by
Taft Broadcasting Company
Price not disclosed

TranSales, Inc.
(an affiliate of The United Stations Company)
acquired a beneficial equity interest in
StarGroup Communications, Inc.
Price not disclosed

Wometco Cable TV, Inc.
pending acquisition of
Two Cable Television Systems
Price not disclosed



Carter Hawley Hale Stores, Inc.
shareholders' corporate restructuring and spin-off of
The Neiman Marcus Group, Inc.
\$1,100,000,000

Safeway Food Stores Limited
(subsidiary of Safeway Stores, Incorporated)
acquired by
Argyll Group PLC
\$1,040,000,000

**The Southern California Operations
of Safeway Stores, Incorporated**
(controlled by Kohlberg Kravis Roberts & Co.)
pending acquisition by
The Vons Companies, Inc.
\$410,000,000

Dixons Group plc
acquired
Cyclops Corporation
\$400,000,000

Seaman Furniture Company, Inc.
pending acquisition by
SFC Holdings, Inc.
(controlled by Kohlberg Kravis Roberts & Co.)
\$360,000,000

Hechinger Company
pending acquisition of
Home Quarters Warehouse, Inc.
\$86,000,000

Dixons Group plc
acquired
Tipton Centers, Inc.
\$30,000,000

Hooker Corporation Ltd.
acquired an interest in
B.Altman & Co. Inc.
(interest held by B.A. Holdings)
Price not disclosed

Standard Brands Paint Company
acquired
**The Art Supply Centers
of Bishop Graphics Inc.**
Price not disclosed

MORGAN STANLEY

A record '84, '85 & '86.



Kohlberg Kravis Roberts & Co.
acquired

Owens-Illinois, Inc.
\$3,700,000,000

Investor Group led by Morgan Stanley Group Inc.
acquired
Burlington Industries, Inc.
\$2,842,500,000

Forstmann Little & Co.
acquired
Lear Siegler, Inc.
\$2,100,000,000

Investor Group led by The Sterling Group, Inc. and including Morgan Stanley Group Inc.
acquired
Seven chemical plants to form Cain Chemical Inc.
\$1,080,000,000

Owens-Illinois, Inc.
(controlled by Kohlberg Kravis Roberts & Co.)
pending acquisition of
Brockway, Inc.
\$750,000,000

Continental Aktiengesellschaft
acquired
General Tire, Inc.
(subsidiary of GenCorp Inc.)
\$650,000,000

Rexnord Inc.
acquired by
Banner Industries, Inc.
\$525,000,000

TI Group plc
acquired
Houdaille Industries Inc.
(controlled by Kohlberg Kravis Roberts & Co.)
\$490,000,000

Nippon Steel Corporation
and
Inland Steel Industries, Inc.
entered into a joint venture for a continuous cold mill project called
I/N Tek
\$400,000,000

Lear Siegler Instrument and Avionic Systems Corp., Lear Siegler Avionic Systems Holding Corp., and Lear Siegler International Corp.
(controlled by Forstmann Little & Co.)
acquired by
Smiths Industries PLC
\$350,000,000

Borg-Warner Industrial Products, Inc.
(subsidiary of Borg-Warner Corporation)
acquired by a private company organized by
Clayton & Dubilier, Inc.
\$240,000,000

Barber-Colman Company
acquired by
Siebe plc
\$227,500,000

Investor Group led by Morgan Stanley Group Inc.
acquired
The Carnation Can Division of Nestle S.A. and the Monsanto Plastic Bottle Division of Monsanto Co.
\$212,000,000

The Erwin Plant of Burlington Holdings Inc.
acquired by
Dominion Textile (USA) Inc.
\$205,000,000

Lear Siegler Astronics Corp. and Developmental Sciences Corp.
(controlled by Forstmann Little & Co.)
acquired by
General Electric Company PLC
\$205,000,000

Imo Delaval Inc.
pending acquisition of
IFINT-Incom Inc.
\$166,600,000

The Blended Apparel Fabrica Division of Burlington Industries Inc.
pending acquisition by
Investors led by Citicorp Venture Capital and Management
\$150,000,000

The Steel and Non-Residential Construction Businesses of Cyclops Corporation
(subsidiary of Dixons Group plc)
acquired by
MSL Industries, Inc.
\$122,000,000

Lear Siegler Precision Products Corp.
(controlled by Forstmann Little & Co.)
acquired by
Investor Group including Acadia Partners, L.P. and BFM Aerospace
\$97,000,000

Investor Group led by Drake, Goodwin & Co. and Morgan Stanley Group Inc.
acquired
Wolverine Tube, Inc. and Wolverine Tube, Ltd.
(subsidiaries of The Henley Group, Inc.)
\$85,000,000

Investor Group led by Management
acquired
The Lehigh Press, Inc.
\$78,700,000

Fairfield Manufacturing Company Inc. of Rexnord Inc.
(subsidiary of Banner Industries, Inc.)
acquired by
Neoax, Inc.
\$70,500,000

Woodville Polymer Engineering Ltd.
(subsidiary of Gott Industries Inc.)
acquired by
Dowty Group PLC
\$57,500,000

Imo Delaval Inc.
acquired
Baird Corporation
\$53,000,000

Kiewit Holdings Group Inc.
(subsidiary of Peter Kiewit & Sons Inc.)
repurchased a minority stake in
Thomassen Drijver Verblifa
\$39,000,000

Steinhil-Lear Siegler AG
(controlled by Forstmann Little & Co.)
acquired by
British Aerospace PLC
\$27,000,000

Railway Maintenance Equipment Company of Rexnord Inc.
(subsidiary of Banner Industries, Inc.)
acquired by
Oak Industries Inc.
\$15,500,000

The Tungsten Carbide Manufacturing Division of Smith International, Inc.
acquired by
Harbour Group Investments, Inc.
\$12,000,000

The Linotype Division of Allied Signal Corporation
acquired by
Commerzbank AG
Price not disclosed

Globe Metallurgical Inc.
(subsidiary of Moore McCormack Resources, Inc.)
acquired by
Investor Group led by Lee Capital Corporation
Price not disclosed

Konica Corporation
purchased a controlling equity interest in
Powers Chemco Inc.
Price not disclosed

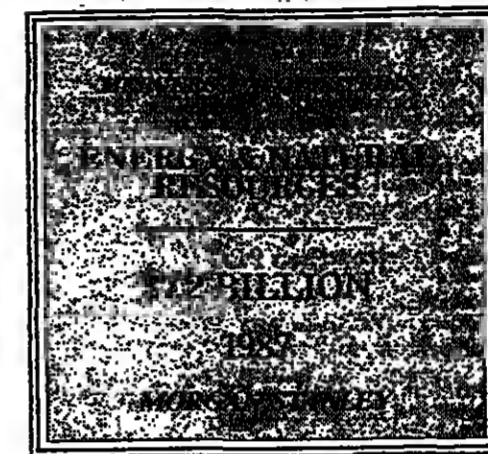
Midland-Ross Corporation
(controlled by Forstmann Little & Co.)
restructuring including divestiture of several business units
Price not disclosed

The European Operations of Rexnord Inc.'s Process Machinery Division
(subsidiary of Banner Industries, Inc.)
pending acquisition by
Rauma-Repola Oy
Price not disclosed

Mathews Conveyor Company of Rexnord Inc.
(subsidiary of Banner Industries, Inc.)
acquired by
Babcock Industries Inc.
Price not disclosed

SFD S.A.
(subsidiary of CEF Chemie S.A.)
pending acquisition by
Casco Nobel AB
(subsidiary of Nobel Industries AB)
Price not disclosed

Technochemie GmbH Verfahrenstechnik
(subsidiary of The Steet Company PLC)
acquired by
Deutsche Shell Aktiengesellschaft
(member of the Royal Dutch/Shell Group of Companies)
Price not disclosed



Dome Petroleum Ltd.
pending acquisition by
Amoco Corporation
\$4,200,000,000

The Forest Products Group of Owens-Illinois, Inc.
(controlled by Kohlberg Kravis Roberts & Co.)
acquired by
Great Northern Nekoosa Corporation
\$1,185,000,000

Substantially all of the assets of Williams Realty Corp.
(subsidiary of The Williams Companies, Inc.)
acquired by affiliates of the
Trammell Crow Company
\$440,000,000

The Presley Companies, Blackfield Hawaii Corporation, Dunn Properties Corporation and Fredricks Development Corporation
(subsidiaries of Pacific Lighting Corporation)
acquired by
Investor Groups
\$325,000,000

Wisconsin Electric Power Company
pending acquisition of
Certain assets related to
The Presque Isle Power Plant of Upper Peninsula Generating Company
\$247,500,000

The Southern Company
pending acquisition of
Savannah Electric & Power Company
\$241,500,000

Genstar Gypsum Products Company
(subsidiary of Inasaco Limited)
acquired by
Domtar Ltd.
\$241,000,000

Samedan Oil Corporation
(subsidiary of Noble Affiliates, Inc.)
acquired
Certain U.S. Oil and Gas Properties of Texas Eastern Corporation
\$176,000,000

The McEvoy-Willis Division of Smith International, Inc.
acquired by
Cameron Iron Works, Inc.
\$61,500,000

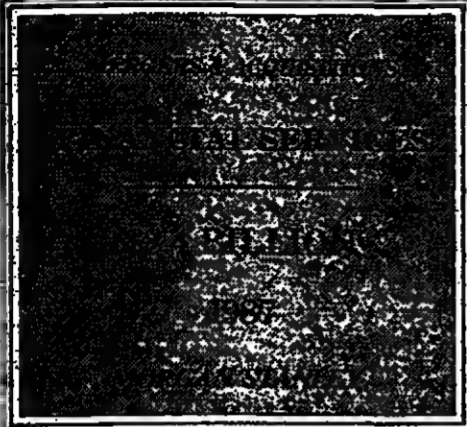
The Newhall Land and Farming Company
proposed to acquire
Newhall Resources
\$32,900,000

Interests in Indonesian Oil and Gas Production Sharing Contracts
(held by Tidewater Inc.)
acquired by
Repsol Exploración (formerly Hispanoil)
\$29,000,000

Arkansas Western Gas Company
(subsidiary of Southwestern Energy Company)
pending acquisition of
Associated Natural Gas Company
(subsidiary of Arkansas Power and Light Company)
\$27,100,000

Pickands Mather & Company
(subsidiary of Moore McCormack Resources, Inc.)
acquired by
Cleveland-Cliffs, Inc.
Price not disclosed

and now, a record '87.



The Bank of New York Company, Inc.
offer to purchase
Irving Bank Corporation
\$1,250,000,000

Chemical New York Corporation
acquired
Texas Commerce Bancshares, Inc.
\$1,200,000,000

Continental Bancorp, Inc.
acquired by
Midland Bank Inc.
\$836,900,000

The Comifer Group Inc.
acquired by
Bank of New England Corporation
\$656,000,000

The Marine Corporation
pending acquisition by
Banc One Corporation
\$546,000,000

RepublicBank Corporation
acquired
InterFirst Corporation
\$544,000,000

Allied Bancshares, Inc.
pending acquisition by
First Interstate Bancorp
\$373,500,000

The Royal Bank of Canada
pending acquisition of 70% interest in
Dominion Securities Limited
\$296,000,000

Equitable Life Leasing Corporation
subsidiary of The Equitable Life Assurance
Society of The United States
acquired by
Lomas & Nettleton Financial Corporation
\$289,100,000

Peoples Ban Corporation
acquired by
U.S. Bancorp
\$278,000,000

Bank of Montreal
acquired 70% of
Nesbitt, Thomson Inc.
\$218,000,000

Sumcorp
pending acquisition by
Trustcorp, Inc.
\$200,000,000

**The Group Life and Health Insurance
Operations of Transamerica Occidental
Life Insurance Company**
(subsidiary of Transamerica Corporation)
acquired by
**Provident Life & Accident
Insurance Company**
\$180,000,000

Valley National Corporation
acquired
Valley Utah Bancorporation
\$117,000,000

Manufacturers National Corporation
acquired
Affiliated Banc Group, Inc.
\$113,500,000

The Chubb Corporation
acquired
Sovereign Corporation
\$106,100,000

BellSouth Corporation
acquired
Datserv, Inc.
\$96,500,000

**McCullagh Leasing and Commercial
Credit Corporation, Ltd.**
(subsidiary of Commercial Credit Corporation)
acquired by
Bank of New England Corporation
\$77,000,000

AmSouth Bancorporation
acquired
**First Mutual Savings
Association of Florida**
\$49,600,000

Istituto Bancario San Paolo di Torino
pending acquisition of
Valley National Bank
\$46,000,000

Colt Industries Credit Company
(subsidiary of Colt Industries Inc.)
acquired by
Goldome Corporation
\$14,800,000

**BankAmerica Investment
Management Company**
(subsidiary of BankAmerica)
pending acquisition by
Monarch Capital Corporation
Price not disclosed

CrossLand Savings FSB
acquired
Western Savings and Loan Company
Price not disclosed

United Overseas Bank Holding S.A.
(41% interest held by
**BankAmerica International of
BankAmerica NT & SA**)
acquired by
**Banque Nationale de Paris
and Dresdner Bank**
Price not disclosed



Allegis Corporation
corporate restructuring
\$5,574,000,000

Manpower Inc.
acquired by
Blue Arrow plc
\$1,378,000,000

Charter Medical Corporation
proposal to be acquired by
Investor Group
\$1,277,000,000

Overnite Transportation Co.
acquired by
Union Pacific Corporation
\$1,200,000,000

Allegis Corporation
acquired
Hilton International Co.
(subsidiary of Transworld Corporation)
\$880,000,000

The Greyhound Corporation
acquired
**The Dobbs' and Carson's
Airport Terminal Concessions
and Airline Catering Businesses
of Carson Pirie Scott & Company**
\$390,000,000

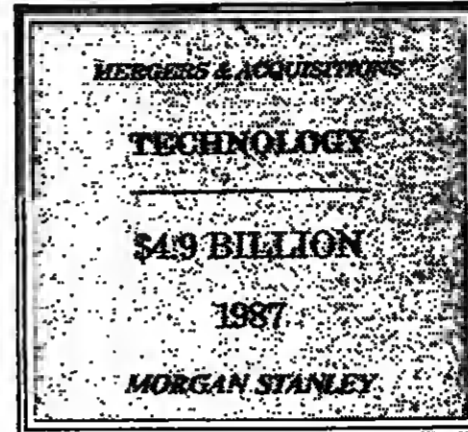
American Airlines, Inc.
acquired
AirCal Inc.
(subsidiary of ACI Holdings, Inc.)
\$220,000,000

Quality Cars, Inc.
(subsidiary of Grand Metropolitan PLC)
acquired by
Lifetime Corporation
\$101,600,000

**The Bus Operating Assets of
Greyhound Lines, Inc.**
(subsidiary of The Greyhound Corporation)
acquired by
Investor Group led by Fred G. Currey
Price not disclosed

The Interlake Steamship Company
(subsidiary of Moore McCormack Resources, Inc.)
acquired by
Interlake Holding Company
Price not disclosed

Moore McCormack Bulk Transport, Inc.
(subsidiary of Moore McCormack Resources, Inc.)
acquired by
Barker Associates Inc.
Price not disclosed



**The Cellular Telephone and
Paging Operations of Metromedia Inc.**
acquired by
Southwestern Bell Corporation
\$1,197,000,000

Emerson Electric Co.
acquired
Liebert Corporation
\$430,000,000

Sprague Technologies, Inc.
(subsidiary of The Penn Central Corporation)
spin-off to shareholders
\$340,000,000

**The Detroit-Ann Arbor, Flint,
Grand Rapids, Lansing and Toledo
Cellular Telephone Companies**
(owned by Graphic Scanning Corp., Washington Post Co.,
Rapid-American Corp., RAM Broadcasting Corp.,
Western Union Telegraph Co., Associated
Communications Corp., Cellular Communications Inc.
and Investors)
acquired by
PacTel Personal Communications
(division of Pacific Telesis Group)
\$316,000,000

Spectra-Physics, Inc.
acquired by
CIBA-GEIGY Corporation
\$311,000,000

Combustion Engineering, Inc.
acquired
AccuRay Corporation
\$217,000,000

Bridge Communications, Inc.
merged with
3Com Corporation
\$193,000,000

Emhart Corporation
pending acquisition of
Advanced Technology Inc.
\$140,000,000

Arrow Electronics, Inc.
pending acquisition of
**The Electronics Distribution
Businesses of Ducommun Incorporated**
\$134,000,000

NYNEX Corporation
acquired
Business Intelligence Services Ltd.
\$107,000,000

Reuters Holdings PLC
acquired
Instinet Corporation
\$106,500,000

**The Control Systems and
Industrial Systems Businesses of
Rexnord Inc.**
(subsidiary of Banner Industries, Inc.)
acquired by
Texas Instruments, Incorporated
\$85,000,000

British Airways PLC
acquired
Bedford Associates, Inc.
Price not disclosed

**The Pacing Products Division of
Cordis Corporation**
acquired by
Teletronics Holdings Limited
Price not disclosed

Integrated Automation, Inc.
acquired by
Litton Industries, Inc.
Price not disclosed

Thomson-CSF
pending acquisition of
Wilcox Electric, Inc.
(subsidiary of Northrop Corporation)
Price not disclosed

Thomson S.A.
pending acquisition of
**The Consumer Electronics Business
of General Electric Company**
Price not disclosed

MORGAN STANLEY

COMMODITIES AND AGRICULTURE

Falconbridge to restart shipping ferro-nickel

By David Blackwell

FALCONBRIDGE, the Canadian mining group, is to resume shipments of ferro-nickel from the Dominican Republic, the company said yesterday.

A dispute over export duties which flared up between the group and the Government of the Dominican Republic just before Christmas helped to push prices on the London Metal Exchange past \$4 a lb for the first time.

The company has now agreed to negotiate with the Government revisions to the agreement relating to its ferro-nickel operations in the Republic.

It has also agreed to make a pre-payment to the Government of 10m pesos (about \$2m) to be applied against what it called "future taxes".

But an official added: "We are still not going to pay any duty." Last month the company - the world's second largest ferro-nickel producer - described the proposed export duties as "prohibitive".

The dispute stopped a shipment of 1.8m lbs (about 817 tonnes) of ferro-nickel bound for Europe from leaving the Dominican Republic on December 17. Falconbridge pointed out yesterday that production of ferro-nickel, which is used principally by stainless steel makers, had continued throughout the suspension of shipments.

The price of nickel on the London Metal Exchange dipped as low as \$3 a lb in the early morning before closing at \$3.15 a lb yesterday. Analysts expect the price to remain at about this level, which corresponds with the prevailing price before the Falconbridge announcement last month.

The bullish fundamentals in the market remain, they said, noting that stocks in LME warehouses had fallen by 366 tonnes to 4,118 tonnes after rising in the past two weeks.

Surge in orange juice futures

By Deborah Margreaves in Chicago

US ORANGE juice futures prices soared over the last two trading days following the news that Brazil had increased its exports to concentrate exports to the US.

The January futures contract was up by some 13 cents per lb to around \$1.75 a lb as Friday's rumours about the price led to aggressive shortcovering and fresh buying interest by processors, according to Mr Stephen Platt, commodities analyst at Dean Witter in Chicago.

Futures prices continued strong yesterday as two of the major Brazilian exporting firms said they had increased prices to around \$1.81 a lb - a rise of some 15 cents.

The orange juice market is expected to experience some tightness in coming months, according to Mr John Walker, president of Florida's Citrus Association.

For several years Brazilian imports have picked up the slack in the US market, but this year, because there is a whole lot of environmental factors which affect production, such as temperature and feed quality, there are also different genes within each family of a species and they're different varieties.

There was, however, another and much more fundamental difference between me and my Danish counterparts. The Danish farmer of those days was a disciplined and loyal co-operator. He obeyed the grading rules laid down by his co-operative factory, even if they went against him.

A life-long quest for the perfect pig

FARMER'S VIEWPOINT

By John Cherrington

WHEN I took to farming many years ago a wise farmer told me that even if I kept a herd of pigs for 50 years they would neither bankrupt me nor make me rich.

After devoting my best efforts to the problem for more years than I care to remember I am bound to confess that he was right.

My pig farming apprenticeship began as a young student on a Danish farm, of which my main memory is of constant hard work in cold weather.

The closest I was allowed to the secrets of Danish pig farming was to clean out the sties on Sunday mornings. Then as now Denmark's pig farming was recognised as representing the state of the art, but little can be learnt about balanced rations and their formulation from the times of a dung fork.

I eventually started my own herd, using the best stock then available, and contracted my output to the old Pigs Marketing Board.

Soon discovered that however well bred the parent stock there was no guarantee that their progeny would match up to them. I should have known this of course, because there are a whole lot of environmental factors which affect production, such as temperature and feed quality.

There is no doubt though that over the last few years the demand for lean British pigs has expanded enormously and pork is the fastest growing meat product on the market.

Under the agreement, which limits member countries to total annual exports of 96,000 tonnes, Indonesia is set to reach its official quota of 24,516 tonnes in the year ending February.

Mr Timah's Sujatmko, head of PT Tambang Timah Indonesia's state tin company said last week, however, that Indonesian production would be 27,000 tonnes, while the country's capacity is put at 30,000 tonnes.

Timah, now the world's largest tin company, continues to adjust to the market crash, precipitated by the collapse of the silver market.

Officials insist there will be no retrenchment in the industry. Through early retirement schemes the company has already been able to reduce its payroll by between 5 and 10 per cent to around 26,500, most of whom are employed in Timah's mining operations on Bangka Island off East Sumatra.

"We have to find an equilibrium between what is the company's potential and the interests of our workers," says Mr Sutopo, Timah's press spokesman.

According to one official estimate a further 100,000 are dependent on Timah for supply and service contracts and it is these people who have suffered most from the downturn in the company's fortunes.

Timah is expected to announce results for the year in the next few weeks. Figures for 1986, when the company reported pre-tax profits of \$140 million (215m) compared with a loss in 1985 of \$12m, were largely the result of a revaluation of the company's hard currency reserves following the Government's 33 per cent devaluation.

Results for 1987, are hardly likely to be so good, adding to pressure on the Government to seek an increase in Indonesia's quota at the AITC ministerial meeting due next month.

Fresh peace talks called on Canadian port strike

By David Owen in Toronto

THE TWO sides in the month-old Canadian grain handlers strike have been called to Ottawa to resume talks under the auspices of Mr William Kelly, the top federal government labour mediator.

Mr Kelly was recently involved in high-level negotiations involving the Canadian Wheat Board, the railways and Air Canada.

The move appears to be a last-ditch attempt to resolve the dispute, which has paralysed the Pacific coast Prince Rupert grain terminal, before Parliament reconvenes next Monday. Sixty-nine members of the Canadian Grainworkers' union have been on strike since December 9 over a decision to hire non-union supervisors to perform some functions at the

highly-mechanised terminal. Mr Pierre Cadiieux, the Labour Minister, was non-committal about whether or not he would legislate an end to the strike should Mr Kelly's efforts prove unsuccessful.

"The strike has now put the country so far behind in its shipments that the Canadian Wheat Board is considering re-routing supplies to the eastern seaboard at an estimated additional cost to farmers of some \$515m (\$6.5) a month.

"We have lost the ability to export somewhere in the vicinity of 500,000 tonnes a month out of Prince Rupert," said one Board official. "If some of the grain from Prince Rupert goes to the east coast, it will cost \$30 a tonne."

According to a report published in the Gazette Mercantile, a leading business newspaper, the company cited a \$10m loss on rice imports in 1986 as a leading cause of its problems. During that year the Government incorrectly projected that rice imports would be needed to meet domestic demand. The company's imported rice spoiled after stalling for six weeks at a congested Brazilian port.

According to a leading grain trader, Cotra's financial difficulties were well known in the market over the last few years. Cotra's creditors are believed to be mainly Brazilian banks.

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Indonesia may seek bigger tin quota

By John Murray Brown in Jakarta

INDONESIA MAY press for an improved export quota when the executive committee of the seven-member Association of Tin Producing Countries meets in Kuala Lumpur today to discuss progress on the supply rationalisation scheme agreed last March.

Historically the world's second largest tin producer, after Malaysia, Indonesia played a decisive role in winning members' approval for the Association's plan, which set out to limit exports in an effort to reduce the overhang of stocks currently depressing the market.

Mr Soetrayo Sigit, Director General at Indonesia's Mines Ministry, says he expects world stocks to run down to around 20,000 tonnes by August, from a level of 30,000 tonnes a year ago.

Prices low Ten months into the agreement, however, prices remain low, barely changed in US dollar terms, at \$3 per lb, and actually down in sterling or Malaysian dollars.

Industry officials in Jakarta feel Indonesia conceded too much of its natural advantage to high cost producers like Malaysia under the accord.

With one member, Bolivia, unable to meet its quota, observers expect Indonesia to push for an increase to match current production capacity.

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LONDON MARKETS

DRY CARGO futures on the Baltic International Freight Futures Exchange (Biffex) continued their bull run, reaching an all-time high of 1,498 points on the April contract before profit-taking halted the advance.

The contract closed with a limit rise of 50 points at 1,495 points with 793 lots traded. Dealers said that sentiment remained strong. All components of the Baltic Freight Index, on which the contract is based, moved higher leaving the BFI 30.5 points higher at a record 1,350.

Traders expect the three-month contract to breach the 1,500 level soon. On the London Metal Exchange copper prices moved ahead, fuelled by an uptrend on Comex.

Analysts said this market seems to be on course to last the recent record high of \$1,500 said last week for three months metal.

SPOT MARKETS Crude oil (per barrel FOB January) + or - Dubai \$14.25-5.25/-0.19 Brent Blend \$14.90-0.175 W.T.I. (per cwt) \$18.90-7.00/-0.255 Oil products (NWE prompt delivery per tonne CIF) + or - Premium Gasoline \$122-105/-0.5 Heavy Fuel Oil \$124-118/-0.5 Naphtha \$146-148/-1 Petroleum Argus Estimates Other Gold (per troy oz) \$428.75 +0.75 Silver (per troy oz) \$32.00 +0.25 Platinum (per troy oz) \$508.50 +2.50 Palladium (per troy oz) \$127.75 -0.25

Aluminium (free market) \$1990 -20 Copper (US Producer) 129.9-145c -3 Lead (US Producer) 40c -5 Nickel (free market) 33c -5 Tin (European free market) \$2300 +5 Tin (Kuala Lumpur market) 17.21c -0.06 Tin (New York) 32.75c +1 Zinc (Euro. Prod. Price) 44.25c +1 Zinc (US Prime Western) 44.75c

COCOA 2/Tonnes

Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COFFEE 2/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

SUGAR 5/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

SOYABEAN MEAL 100/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

GRAIN OIL/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

GRAIN OIL/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

LONDON METAL EXCHANGE

Table with columns: Metal, Close, Previous, High/Low, AM Official, Korb close, Open Interest. Includes Aluminium, Cash, and Copper.

POTASSIUM 2/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

SOYABEAN MEAL 100/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

GRAIN OIL/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

GRAIN OIL/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

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US MARKETS

REPORTS THAT Saudi Arabia may supply discounts to its price-affected energy futures, reports Drexel Burnham Lambert. Trade and light commission house selling eased credit of futures following fund buying. Producers' meetings and silver was again the most active contract, easing on local and commission house selling which touched off light steps before a smaller-than-expected increase in copper stocks led to a further rally in futures. Sugar rallied on early trade in buying bid, after falling to hold the highs, fell on commission house and trade selling which touched off steps. Cocoa rallied on a weaker US dollar, then eased as locates liquidated. Cotton fell as traders liquidated positions in advance of yesterday's crop report. Orange juice underwent a correction to recent strength. Cattle futures opened unexpectedly weaker, influenced mainly by outside markets, but then recovered reflecting good fundamentals.

NEW YORK GOLD 100/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

PLATINUM 50/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

SILVER 5,000/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

SOYABEAN MEAL 100/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

GRAIN OIL/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

Chicago

SOYABEAN 5,000/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

SOYABEAN MEAL 100/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

GRAIN OIL/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

GRAIN OIL/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

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GRAIN OIL/Tonnes Table with columns: Month, Close, Previous, High/Low. Data for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Intervention limits \$ fall

FURTHER INTERVENTION by central banks limited the dollar's fall on the foreign exchanges yesterday.

The US Federal Reserve was reported to have bought dollars in New York, after the West German Bundesbank intervened in another round of co-ordinated European intervention.

Earlier in Tokyo the Bank of Japan also gave support to the dollar, as sentiment continued to move against the US currency.

STERLING-Trading range against the dollar in 1987/88 is 1.8786 to 1.4710.

STERLING rose in line with other major currencies in Europe and Japan against a

weak dollar. The pound gained 1.46 cents to \$1.8210-1.8220, but was unchanged at DM2.9625 and SFr2.4375, while easing to FF10.0650 from FF10.0700 and rising to ¥235.50 from ¥235.25.

A rise of 0.5 p.c. in December UK producer output prices, to give a year-on-year rate of 3.8 p.c., compared with 3.9 p.c. in November, was encouraging, but this was offset by a larger than forecast rise of 3 p.c. in input prices, setting the annual rate at 4 p.c., against 3.2 p.c. in November.

The dollar fell to DM1.6370 from DM1.5500, to FF5.5350 from FF5.5725, to SFr1.3875 from SFr1.3495, and to ¥128.15 from ¥129.05.

On Bank of England figures the dollar's index declined to 93.5 from 94.1.

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FINANCIAL FUTURES

Sterling prices firmer

LIFFE TRADING was influenced mainly by activity in equity markets yesterday. Values were marked up in early trading amid fears that Friday's fall on Wall Street would prompt a similar decline in London.

Equities were indeed marked down at the start, but an absence of selling volume suggested that pressure on UK equities was comparatively slight.

Consequently, opening rises in sterling based instruments were relatively modest - the March short sterling price opened just 10 ticks higher at 90.67 - but trading remained subdued for the rest of the morning, as traders awaited the

opening of US markets. A slow recovery in UK equities suggested to US traders that Friday's fall may have been overdone and futures prices were trimmed accordingly. However, Wall Street soon started to lose ground, which boosted Liffe prices.

Trading thereafter became rather erratic, with traders grasping at straws in an attempt to establish some trend.

At the end of the day gilt prices and US bonds were held up by the underlying bearish tone in equities. The inevitable flight to quality and the prospect of lower share prices diminishing the risk of higher

interest rates, kept these contracts above Friday's close. The March gilt price opened at 116.27, up from 116.08 and touched a high of 116.30 before closing at 116.26. The release of UK retail sales for November and producer prices for December appeared to have no effect on sentiment.

US Treasury bonds finished up from Friday's close but little changed from opening levels, as the level of interest was compromised by the dollars weaker trend. This came despite concerted central bank intervention.

The March price opened at 87.02 from 86.26 and touched a high of 87.11 before closing at 87.03.

Table: LIFFE 10YR GILT FUTURES OPENINGS. Columns: Date, Price, Change, Previous Day's Close.

Table: LIFFE 5YR GILT FUTURES OPENINGS. Columns: Date, Price, Change, Previous Day's Close.

Table: LIFFE 2YR GILT FUTURES OPENINGS. Columns: Date, Price, Change, Previous Day's Close.

Table: LIFFE US TREASURY BOND FUTURES OPENINGS. Columns: Date, Price, Change, Previous Day's Close.

Table: LIFFE FT-SE 100 INDEX FUTURES OPENINGS. Columns: Date, Price, Change, Previous Day's Close.

Table: LIFFE EURO-DOLLAR BILLS. Columns: Date, Price, Change, Previous Day's Close.

Table: LIFFE EURO-DOLLAR BILLS. Columns: Date, Price, Change, Previous Day's Close.

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Table: LIFFE FT-SE 100 INDEX FUTURES OPENINGS. Columns: Date, Price, Change, Previous Day's Close.

Table: LIFFE FT-SE 100 INDEX FUTURES OPENINGS. Columns: Date, Price, Change, Previous Day's Close.

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Table: LIFFE FT-SE 100 INDEX FUTURES OPENINGS. Columns: Date, Price, Change, Previous Day's Close.

Table: STERLING INDEX. Columns: Date, Index, Change, Previous Day's Close.

Table: CURRENCY RATES. Columns: Currency, Rate, Change, Previous Day's Close.

Table: DOLLAR SPOT - FORWARD AGAINST THE POUND. Columns: Date, Spot, Forward, Change, Previous Day's Close.

Table: CURRENCY RATES. Columns: Currency, Rate, Change, Previous Day's Close.

Table: LONDON. Columns: Instrument, Price, Change, Previous Day's Close.

Table: LONDON. Columns: Instrument, Price, Change, Previous Day's Close.

Table: CHICAGO. Columns: Instrument, Price, Change, Previous Day's Close.

Table: CHICAGO. Columns: Instrument, Price, Change, Previous Day's Close.

Table: JAPANESE YEN (YMD). Columns: Instrument, Price, Change, Previous Day's Close.

Table: JAPANESE YEN (YMD). Columns: Instrument, Price, Change, Previous Day's Close.

Table: CURRENCY MOVEMENTS. Columns: Currency, Movement, Change, Previous Day's Close.

Table: EURO CURRENCY INTEREST RATES. Columns: Currency, Instrument, Rate, Change, Previous Day's Close.

Table: LONDON INTERBANK FIXING. Columns: Instrument, Price, Change, Previous Day's Close.

Table: MONEY RATES. Columns: Instrument, Rate, Change, Previous Day's Close.

Table: LONDON MONEY RATES. Columns: Instrument, Rate, Change, Previous Day's Close.

Table: OTHER CURRENCIES. Columns: Currency, Rate, Change, Previous Day's Close.

Table: EXCHANGE CRIBS RATES. Columns: Currency, Rate, Change, Previous Day's Close.

MONEY MARKETS

UK rates nervous but steady

UK INTEREST rates were barely changed, despite a weaker trend in equity markets. There had been fears over the weekend that Friday's fall on Wall Street would have sparked off a further bout of selling in London. However, despite an initial fall in equity prices, dealers reported little real selling activity and the effect on interest rates was subsequently reduced.

UK clearing bank base lending rate 8% per cent from December 4

Three-month interbank money was unchanged at 9.75 p.c. while the six-month rate eased at one point to 9.6 p.c. from 9.7 p.c. Overnight money opened at 8.4-8.5 p.c. and fell to 7.4 p.c. before coming back to 8.4 p.c. Late balances were bid at 8 p.c.

quicker transactions drained a nominal \$5m. These were partly offset by a fall in the note circulation of \$286m.

The forecast was revised to a shortage of around \$500m and the Bank gave assistance in the morning of \$500m through outright purchases of \$100m of eligible bank bills in band 3 and a band 4 \$1m of Treasury bills and \$486m of eligible bank bills, all at 6.4 p.c.

FT LONDON INTERBANK FIXING

Table: FT LONDON INTERBANK FIXING. Columns: Instrument, Rate, Change, Previous Day's Close.

Table: MONEY RATES. Columns: Instrument, Rate, Change, Previous Day's Close.

TRADE INDEMNITY EXPORT CREDIT INSURANCE

Advertisement for Trade Indemnity Export Credit Insurance, listing various countries and rates.

Advertisement for Perry's Quality Promotional Gifts, featuring key rings, cuff links, enamel badges, paperweights, and medals.

Advertisement for David Coakley Ltd, a good broker for the future, offering U.K. Futures & Options.

Advertisement for I.G. Index Ltd, 9-11 Grosvenor Gardens, London SW1W 0BD.

Table: WORLD VALUE OF THE POUND. Columns: Country, Currency, Value of £ Sterling.

EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, Vol, Last, and Stock prices for various European options.

TOTAL VOLUME IN CONTRACTS: 75,762

BASE LENDING RATES

Table listing base lending rates for various banks and currencies, including ABN Bank, Adm & Compt, etc.

AUTHORISED UNIT TRUSTS

Large table listing various unit trusts, their managers, and performance data.

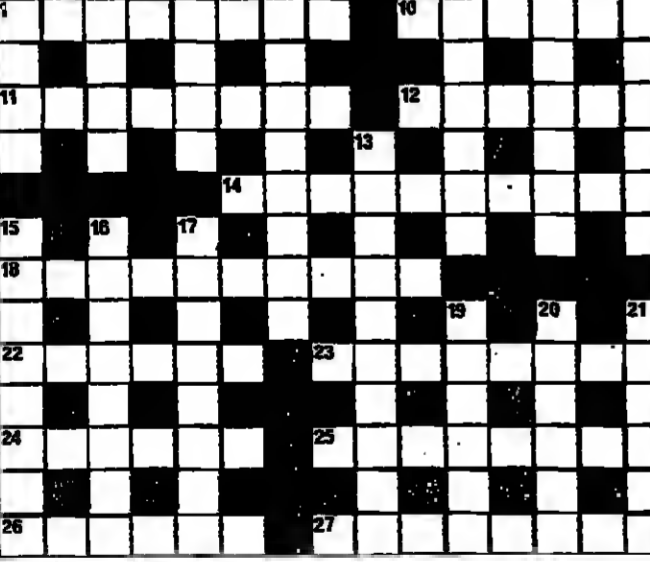


The Sixth FT City Seminar

Plaisters Hall, City of London 11, 12 & 15 February, 1988

Financial Times Conference Organisation 126 Jermyn Street, London SW1Y 4JU

FT CROSSWORD No.6,527



ACROSS and DOWN clues for the crossword puzzle, including 'Dairy cat's distraught female supporter' and 'Plant raising skin blemishes on society girl'.

Solution to Puzzle No.6,526, including words like MANTON, DIRAWICK, etc.

FT UNIT TRUST INFORMATION SERVICE

Table of financial data for various unit trusts, including columns for company name, unit price, and other metrics.

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INSURANCES

Table of insurance-related financial data, including company names and associated values.

FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service listing various unit trusts with columns for Name, Investment Objective, and other details.

LONDON SHARE SERVICE

Table of London Share Service listing various shares and funds with columns for Name, Price, and other details.

Table of Money Market Trust Funds listing various trust funds with columns for Name, Price, and other details.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American companies with columns for stock price, change, and other financial metrics.

CANADIANS

Table listing Canadian companies with columns for stock price, change, and other financial metrics.

BANKS, HP & LEASING

Table listing banks, hire purchase, and leasing companies with columns for stock price, change, and other financial metrics.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies with columns for stock price, change, and other financial metrics.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads companies with columns for stock price, change, and other financial metrics.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads companies with columns for stock price, change, and other financial metrics.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for stock price, change, and other financial metrics.

DRAPERY AND STORES

Table listing drapery and stores companies with columns for stock price, change, and other financial metrics.

DRAPERY AND STORES - Contd

Table listing drapery and stores companies with columns for stock price, change, and other financial metrics.

ELECTRICALS

Table listing electrical companies with columns for stock price, change, and other financial metrics.

ENGINEERING - Contd

Table listing engineering companies with columns for stock price, change, and other financial metrics.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other companies with columns for stock price, change, and other financial metrics.

HOTELS AND CATERERS

Table listing hotels and caterers companies with columns for stock price, change, and other financial metrics.

INDUSTRIALS (Miscel.)

Table listing miscellaneous industrial companies with columns for stock price, change, and other financial metrics.

INDUSTRIALS (Miscel.) - Contd

Table listing miscellaneous industrial companies with columns for stock price, change, and other financial metrics.

INDUSTRIALS (Miscel.) - Contd

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INDUSTRIALS (Miscel.) - Contd

Table listing miscellaneous industrial companies with columns for stock price, change, and other financial metrics.

INDUSTRIALS (Miscel.) - Contd

Table listing miscellaneous industrial companies with columns for stock price, change, and other financial metrics.

INSURANCES

Table listing insurance companies with columns for stock price, change, and other financial metrics.

LONDON SHARE SERVICE

INSURANCES - Contd

Table listing insurance companies and their share prices, including Royal Indemnity, Commercial Union Assurance, and others.

PAPER, PRINTING, ADVERTISING - Contd

Table listing companies in the paper, printing, and advertising sectors, such as Newsprint, Printers, and Advertising agencies.

TEXTILES - Contd

Table listing textile companies and their share prices, including various spinning and weaving firms.

TRUSTS, FINANCE, LAND - Contd

Table listing trusts, finance, and land-related companies, such as investment trusts and financial institutions.

OIL AND GAS - Contd

Table listing oil and gas companies, including exploration and production firms.

MINES - Contd

Table listing mining companies and their share prices, covering various mineral extraction firms.

LEISURE

Table listing leisure and entertainment companies, such as hotels, resorts, and media firms.

PROPERTY

Table listing property-related companies, including real estate and construction firms.

TOBACCO

Table listing tobacco companies and their share prices.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land-related companies, similar to the section above.

Table listing trusts, finance, and land-related companies, continuing the list from the previous section.

OVERSEAS TRADERS

Table listing overseas trading companies and their share prices.

PLANTATIONS

Table listing plantation companies and their share prices.

MINES

Table listing mining companies and their share prices.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies, including manufacturers and dealers.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies and their share prices.

SHIPPING

Table listing shipping companies and their share prices.

SHOES AND LEATHER

Table listing shoe and leather companies and their share prices.

SOUTH AFRICANS

Table listing South African companies and their share prices.

TEXTILES

Table listing textile companies and their share prices.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies, similar to the section above.

OIL AND GAS

Table listing oil and gas companies, similar to the section above.

Central and Eastern Road

Table listing Central and Eastern Road companies and their share prices.

Far West Road

Table listing Far West Road companies and their share prices.

Diamond and Platinum

Table listing diamond and platinum companies and their share prices.

Central African

Table listing Central African companies and their share prices.

THIRD MARKET

Table listing third market companies and their share prices.

NOTES

Notes providing detailed information about the companies listed, including financial data and company descriptions.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks and their share prices.

IRISH

Table listing Irish companies and their share prices.

TRADITIONAL OPTIONS

Table listing traditional options and their share prices.

LONDON STOCK EXCHANGE

Leading shares rally from initial setback while buyers return to bond sector

Account Dealing Dates
First Declared Last Account
Dealings Date Dealings Day

THE LONDON stock market stood up well to Friday's heavy fall on Wall Street, rallying in early dealings to close with a loss of only 13 points on the FT-SE scale - a minor fall by recent standards.

Elsewhere, prices were lower but content to follow the market trend. A scattering of speculative situations found ready response - the spotlight fell on Standard Chartered as investors looked for a new development in the company saga.

The underlying worries over the next trend in UK base rates highlighted by Mr Tim Congdon, economic analyst at Shearson Lehman, who headed his weekly commentary, "How long can the interest rate rise be postponed?" - failed to stop a technical rally in gilt.

The lead came from the medium-dated sector, where Contaminated buying restored 3/4 of the loss suffered since the announcement that 51bn ten year stocks would be auctioned this week.

When sellers failed to materialise, cheap buyers appeared, especially for the market leader's which had taken the brunt of the mark-down. Prices steadily moved up from their lows, receiving further encouragement when Wall Street opened sharply higher.

The FT-SE 100 Index ended 13.2 lower at 1760.2. Turnover remained sluggish, with 442.6m shares traded by 5.00pm.

market Floating Rate Notes, and at least one major US marketmaker shed trading staff yesterday. Later this week, redundancies are expected at newly-merged County Securities-Wood Gundy.

However, with securities analysts still confident that the UK market will move higher in the early part of this year, there were buyers for the blue chip dollar earners after the initial mark-down in prices.

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FINANCIAL TIMES STOCK INDICES
Table with columns for Government, Fixed Interest, Ordinary, Gold Mines, Div. Yield, Earnings Yld, P/E Ratio, SEAG, Equity Turnover, Equity Yield, Shares Traded, and various indices like S.E. ACTIVITY.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0898 123001

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Stores performed extremely well with sentiment said to have been given a fillip by confirmation of the 1.05 per cent rise in retail sales during November.

There were sizeable buying orders in the market for Marks and Spencer where the shares rose 6 to 184p on a turnover of 6.5m shares, see Soverhouse, up 11 at 265p on a turnover of 3.7m shares. Woolworths were 9 up at 263p after the property disposals.

Despite the general malaise, the Engineering sector recorded a number of bright spots. Carole, reflecting satisfaction with the interim figures, advanced 7 to 169p.

The absence of genuine selling allowed building shares to pull away from the opening low levels. Blue Circle eventually finished 12 off at 423p, while losses in the region of 4 were seen in BPB Industries, 269p, and Tarmac, 240p, but EMC held up well and closed a shade higher at 450p.

Earlier in the day Freeman's reiterated its rejection of Sears' offer of 31p a share and revealed its profits forecast for the year to the end of January 1988 which it said would be 53.2m on sales of 550.6m compared with previous year's figures of 52.4m and 546.8m.

The clearing banks were highly sensitive and ended the day with minor changes in either direction. Lloyds, with a near 5 per cent stake in Standard Chartered, dropped steeply to 224p early on but rallied swiftly to close a net 2 up at 245p.

Marked sharply lower at the outset, ICI edged away from the day's lowest to close 3/4 down on the day at 513p. Laporte gave up 8 at 399p, after 390p, while Coltice ended 4 easier at 314p. Good interim figures failed to sustain Ellis and Everard which shed 4 to 168p.

long-term value, pointing to the high asset value and a prospective P/E ratio this year of around 13.3x.

Advertising Agencies and related issues went lower across the board. Saatchi & Saatchi fell 11 to 423p and WPP 10 to 455p while Aspen Communications were lowered 10 to 378p. WCRS, which is expanding operations in the Pacific Basin with the acquisition of Hong Kong-based agency, shed 8 to 231p.

Properties suffered along with other equity sectors at the outset, but the majority rallied in the absence of selling pressure. Lant Securities finished 9 off at 460p and M&P settled 6 cheaper at 452p.

Secondary issues displayed a bright feature in Estate Property Investments which gained 30 to 230p following the company's announcement that it had received various bids approaches from as yet unnamed sources.

A sharply increased dividend payment and higher profits, together with the forecast of further progress this year, plus the fact that the company's share price had been trading at a discount to book value, were cited as reasons for the rise.

Currency influences joined Overseas traders and foreign exchange to add to the volatility of the market. The pound fell 1.12p to 1.815p. The FTSE contract attracted 1,203 calls and 1,785 puts.

Traded option activity was volatile market conditions. Contracts totaling 57,035 made up of 25,113 calls and 11,022 puts. British Gas registered 5,115 calls and 1,815 puts. The FTSE contract attracted 1,203 calls and 1,785 puts.

First dealings Jan 4
Last declarations Apr 7
For rate indications see end of London Share Service
Dealers reported a reasonably lively day in the traditional option market. Stocks dealt in included British Petroleum, British Petroleum (partly paid) (Reg), Systems Designers, Bennett and Fountain, Next, BOM Holdings, Camford, Amstar, Bala Resources, Christmas International, Bencal, Casa Group, Davco Estates, Astra Holdings and VSEL Consortium. Puts were arranged in British Telecom and Camford, but no done options were reported.

FT - ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns for EQUITY GROUPS & SUB-SECTIONS, Monday January 11 1988, and various indices like FT-SE 100 SHARE INDEX, FT-SE 250 SHARE INDEX, etc.

FIXED INTEREST

Table with columns for PRICE INDICES, AVERAGE GROSS RECESSION YIELDS, and various interest rates for different terms and currencies.

LONDON TRADED OPTIONS

Table with columns for CALLS and PUTS, and various stock options like ASDA-MFI, British Gas, etc.

NEW HIGHS AND LOWS FOR 1987/88

Table listing new highs and lows for various stocks in 1987/88, including ASDA-MFI, British Gas, etc.

TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume in major stocks, including ASDA-MFI, British Gas, etc.

RISES AND FALLS YESTERDAY

Table showing rises and falls in various stock indices and sectors yesterday.

LONDON RECENT ISSUES

Table listing recent issues in the London market, including various companies and their share prices.

RIGHTS OFFERS

Table listing rights offers for various companies, including ASDA-MFI, British Gas, etc.

FIXED INTEREST STOCKS

Table listing fixed interest stocks and their prices, including various government and corporate bonds.

† Flat yield. High and low record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Stratton House, Cannon Square, London EC4A 3DF, price 15p, by post 35p. CONSTITUENT CHANGES: M&P Electric (M) has been deleted and replaced by M&P G2.

WORLD STOCK MARKETS

Table with multiple columns for various stock markets including Australia, France, Germany, Netherlands, and Sweden. It lists stock symbols, prices, and percentage changes.

Table for CANADA and MONTREAL, listing stock prices and changes for various Canadian companies.

Table for JAPAN, listing stock prices and changes for various Japanese companies.

Table for OVER-THE-COUNTER, listing Nasdaq national market closing prices for various stocks.

Table for INDICES, showing various stock indices like DOW JONES, NEW YORK, CANADA, and NEW YORK ACTIVE STOCKS.

Table for CHIEF LONDON PRICE CHANGES YESTERDAY, listing price changes for various commodities and currencies.

Table for TOKYO - Most Active Stocks, listing the most active stocks in the Tokyo market.

Advertisement for 'Travelling on Business in Portugal?' featuring the Financial Times logo and contact information for subscription services.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table containing stock prices, organized into columns with headers for stock names, prices, and changes. Includes sub-sections like 'D D D', 'G G G', and 'N N N'.



Handwritten Arabic text: "كلنا في السوق"

NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, Price, Change, and Volume. Includes sub-sections for 'Continued from Page 42' and 'S S S S'.

Table of AMEX Composite Closing Prices. Columns include Stock, Price, Change, and Volume. Includes sub-sections for 'Continued from Page 42' and 'S S S S'.

OVER-THE-COUNTER Nasdaq national market closing prices

Table of Over-the-Counter (Nasdaq) Closing Prices. Columns include Stock, Price, Change, and Volume. Includes sub-sections for 'Continued from Page 42' and 'S S S S'.

Enjoy reading our complimentary copy of the Financial Times on scheduled flights from Milan and Rome.

Continued on Page 41

Dow regains composure with cautious rally

Wall Street

FEARS of another Black Monday after Friday's programme-trading dominated 140 point drop in the Dow Jones Industrial Average...

In relatively heavy two-way trading, the Dow spent the morning twisting and turning in both directions and ended up with little change from Friday's sharply lower levels...

The US equity market had the benefit yesterday of having seen the reaction of overseas markets to the sudden and dramatic sell-off late on Friday...

The relatively calm reaction abroad helped stocks in New York and there was healthy two-way trading from the outset...

The weekend gave time for analysts to try and justify the sudden drop in prices on Friday. One important component was the relative paucity of active dealers...

Meanwhile, Computer Sciences Corp said it had agreed to market Citicorp Systems' Quotal financial information service to individual investors and brokerages outside the US...

Also important was a very weak bond market which was reacting to fears of higher inflation after strong US unemployment statistics on Friday...

The US bond market yesterday cautiously pulled back some of Friday's losses. The Treasury's 30-year benchmark issue lagged other long-dated issues...

The bond market is in a highly nervous state. The dollar remains vulnerable, a fact reflected in another round of concerted intervention by central banks in Tokyo and Europe yesterday...

Reports were mixed about the influence of arbitrage-related programme trading in the equity market yesterday. It certainly seems to be the case that the bulk of the programme sell orders in the pipeline were executed on Friday...

SOUTH AFRICA

THE STEADY bullion price failed to shore up Johannesburg gold shares against a wave of selling inspired by Friday's falls on Wall Street...

Falls among golds were compounded by the financial rand's strength, though selling was said to be steady. The sector index lost a provisional 63 to 1,689...

Of the heavyweights, Vval Reef lost R9 to R358 and Kloof R350 to R350. Grootvlei was 60 cents down at R750 and Kinross R250 at R45...

Diamond De Beers followed a generally weaker trend among mining issues with a R2.50 decline to R30.26. Platinums Impala and Rustenberg were both 25 cents off at R29.50 and R29.75 in turn...

Industrials also softened, led by a 75 cent fall for sector leader Barlow Rand to R21.

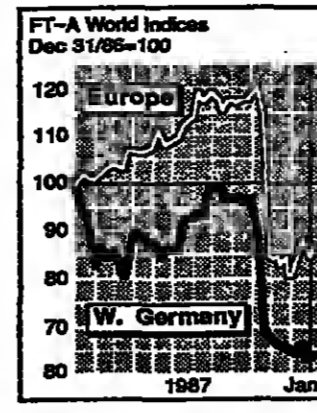
Haig Simonian in Frankfurt examines the few bright spots in a catalogue of gloom German chemicals and retailers hold out promise

AFTER A rough ride in 1987, when West German shares badly underperformed most European counterparts...

While the declining dollar has clouded the outlook for many German exporters and added a shadow over this year's earnings prospects...

More important, it is now clear that the Government has got its budgetary arithmetic badly wrong...

Hence an embarrassed Mr Stoltenberg, who has been trumpeting his tax cuts and major tax reform package...



looking very cheap indeed now, but the main question for international investors is whether German shares still have some way to drop...

Also remain strong. Consumption has been rising steadily, and spending should receive a further boost from the planned personal tax cuts...

Declining investment in new power stations on account of relatively stable electricity demand should eventually feed through into the utilities' cash flow and profits given their depressive depreciation policies...

EUROPE Frankfurt drops back steeply in orderly sell-off

EUROPE'S bourses responded pessimistically to Friday's fall on Wall Street with heavy but orderly selling taking place broadly and steeply lower...

ARMAGEDDON failed to hit London yesterday when the stock market showed significant resilience in the face of Friday's savage fall on Wall Street...

Confidence was boosted both by the dollar's steadiness in European centres, and by continued optimism over the outlook for the British economy...

Dealers, apprehensive after a weekend of bearish comment on the implications of the Wall Street shakeout, marked blue chips down heavily before the markets opened for business...

The FT-SE 100 Index ended with a net loss of 18.2 at 1,760.2.

group is the target of an anonymous takeover. Groves, Groupes Bruxelles Lambert lost BFR185 to BFR2,360. Petrofina fell BFR560 to close at BFR8,840...

MILAN fell substantially in active trade. The MIB index lost 2.42 per cent to 1,007 (base January 4 equals 1,000).

STOCKHOLM was depressed by the gloomy economic prognosis contained in the state budget.

BRUSSELS weakened in almost all sectors during a quiet session unmarked by losses in New York. The cash market index ended 136.86 down at 3,698.94, a 3.6 per cent fall...

Reserve, the share of Societe Generale de Belgique, ended BFR50 off at BFR2,760 in heavy trade of 128,000 shares at continued speculation that the

ASIA Recent favourites lead limited falls

THE STEEP slide in Friday trade on Wall Street dragged down high-technology issues and other recent favourites in Tokyo yesterday...

The Nikkei average slipped 29.13 from Friday to 22,878.43, its first fall in five trading days. Volume of 366m shares was down sharply from Friday's 926m. Declines led advances by 622 to 257, with 138 issues unchanged...

Big securities houses remain generally optimistic for the market, considering Wall Street's plunge to have been triggered by concern that the US Administration may tighten controls on stock investments. They thus conclude that Tokyo will not be affected greatly by movements on Wall Street.

Speculative issues dominated yesterday's trading. Warehouse group Kamigumi traded most heavily with 37.8m shares and closed Y25 up at Y696 on expectations of a sharp rise in the handling of imported goods.

By contrast, recent favourites slumped broadly. Sumitomo Heavy Industries, second biggest with 20.32m shares, shed Y7 to Y625 on profit-taking. It had topped the active since the first trading day of the year...

METALS alone showed resistance as Vieille Montagne held at BFR930. ZARUS eased, but ended well off its lows on support from the tentative afternoon recovery of the dollar and some domestically-led bargain hunting. The CAC General Index finished down 8.53 at 248.58.

Trade was hampered by technical problems which interrupted the transmission of prices and stopped screen trading for more than an hour.

AMSTERDAM ended down but off its lows as sharp early falls were checked in response to early gains in New York. The CBS all-share trend index ended 2.6 off at 69, a 3.6 per cent fall.

Royal Dutch fell F1 9.50 to F1 205.50 and Akzo dropped F1 4 to F1 50.50 as internationalists made off with F30 cents to F1 27 after saying it would cut its stake in a joint venture with AT&T of the US to 40 from 50 per cent.

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on strong demand for superconductivity-related issues. Fujitsu slipped Y60 to Y1,420 after being in the spotlight last week on the development of a simulator for neurocomputers. Sumitomo Chemical fell Y28 to Y932 after enjoying recent gains from rumours that it had developed a new drug for the treatment of AIDS.

High-tech weakened widely on small-lot selling. Hitachi retreated Y50 to Y1,250, NEC Y80 to Y2,070 and Matsushita Electric Industrial Y60 to Y2,240. Turnover in NEC dwindled to 3.16m stocks from Friday's 9.23m. NYT closed Y30,000 down at Y228m.

Large-capital stocks eased after narrow movements, with Kawasaki Heavy Industries weakening Y2 to Y184 and Nippon Steel Y3 to Y378.

Bonds moved narrowly, with dealers and institutions awaiting Friday's US trade figures for November. Turnover shrank to less than one fifth of ordinary levels.

The yield on the 5.0 per cent government bond maturing in December 1997 rose from Friday's 4.66 per cent finish to 4.80 per cent in block trading on the Tokyo Stock Exchange. It later climbed further to 4.86 per cent in inter-dealer trading.

On the Osaka Securities Exchange, the stock average lost 211.68 to 22,943.53 in the first drop in five sessions, despite selective buying. Turnover fell 33m shares from Friday to 70m.

Omron Tatetsu Electronics fell Y90 to Y2,010 and Morita Fire Pump Y70 to Y1,020, whereas Fujitsu General scored a maximum Y101 to Y1,090.

Properties showed the largest losses with Sun Hung Kai down 40 cents at HK\$3.80 and Hong Kong Land and Cheung Kong losing 20 cents each to HK\$7.37 and HK\$6.85, respectively.

THE SELL-OFF on Wall Street hit Singapore hard, with shares losing more than 5 per cent on the day as small investors took profits in cautious trading.

The Straits Times industrial index shed 46.26 to 848.05 with stocks suffering across the board in volume of 36m shares. Many institutions stayed on the sidelines to see whether New York would extend Friday's falls.

Heaviest losses were made by Metro, down 60 cents at S\$5.55, and banks DBS and OCBC, which each lost 60 cents to S\$8.20 and S\$6.50, respectively. Most active stock was again City Development, off 22 cents at S\$2.31 on 2.3m shares traded.

A SHARP early fall was trimmed in Hong Kong as the

FT - ACTUARIES WORLD INDICES

Table with columns: NATIONAL AND REGIONAL MARKETS, MONDAY JANUARY 11 1988, FRIDAY JANUARY 8 1988, DOLLAR INDEX. Lists various countries and their stock market indices with percentage changes.

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